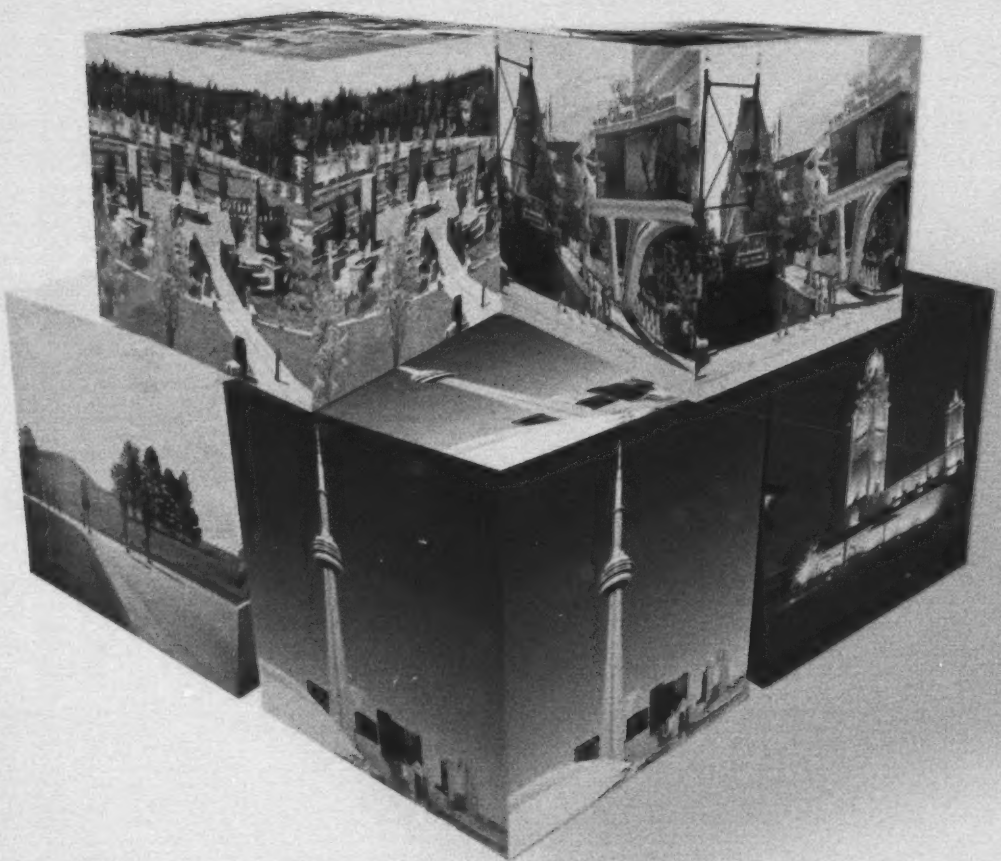
A FOUNDATION TO BUILD ON

CANADA LANDS COMPANY LIMITED
ANNUAL REPORT 2012–2013



CANADA LANDS
COMPANY LIMITED

SOCIÉTÉ IMMOBILIÈRE
DU CANADA LIMITÉE

Canada

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WHO WE ARE

Canada Lands Company Limited (CLCL) is a self-financing federal Crown corporation, which reports to the Parliament of Canada through the Honourable Rona Ambrose, Minister of Public Works and Government Services. It is a *Canada Business Corporations Act* corporation listed in Schedule III, Part 1 of the *Financial Administration Act* and is an agent of Her Majesty. The company has three wholly-owned active subsidiaries:

- Canada Lands Company CLC Limited (CLC), a non-agent Crown corporation, which carries out the company's core real estate business in all regions of Canada, and which owns and operates the CN Tower in Toronto, Ontario.
- Old Port of Montréal Corporation Inc. (OPMC), which is responsible for managing the Old Port of Montréal.
- Parc Downsview Park Inc. (PDP), which is responsible for managing and redeveloping the former Canadian Forces Base Toronto lands as Downsview Park.

WHAT WE DO

CLCL acquires and optimizes the financial and community value of strategic properties no longer required for program purposes by the Government of Canada. It works through its subsidiaries to produce the best possible benefit for both local communities and the company's sole shareholder, the Government of Canada. CLCL has, since 1995, distributed more than $493 million to its sole shareholder as dividends, cash acquisitions and note repayments.

WHY WE DO IT

The company's activities ensure that government's former properties are redeveloped or managed in accordance with their highest and best use, and that they are harmoniously reintegrated into local communities to meet the needs of Canadians and provide them and their families with inspiring and sustainable new neighbourhoods in which they can live, work and play.

PHOTOS: DOWNSVIEW PARK, CURRIE BARRACKS, CN TOWER, CN TOWER LANDS, OLD PORT OF MONTRÉAL

LETTER TO THE MINISTER

The Honourable Rona Ambrose,
Minister of Public Works and
Government Services Canada,
Ottawa, Ontario

Honourable Minister:

It is with great privilege that I present you with the annual report of Canada Lands Company Limited for the fiscal year ended March 31, 2013.

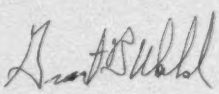
For nearly two decades, Canada Lands has worked to optimize the financial and community value of strategic properties that are no longer required for program purposes by the Government of Canada.

This annual report details the performance results and project highlights of the company for 2012–2013, which has proven to be another successful year.

As per its mandate, the company continues to bring strategic value to government properties no longer required for program purposes. For the year 2012–2013, the company further solidified its reputation as one of the industry's pre-eminent developers, with projects in Chilliwack, British Columbia and Edmonton, Alberta both capturing community design awards. In Oakville, Ontario, the company's upcoming redevelopment at the former Department of National Defence site, Surrey Park, will be the first ever Canadian LEED-ND (Neighbourhood Development) 2009 certified project – yet another example in which Canada Lands exhibits leadership and industry innovation.

This book also includes reports for the past year regarding the Old Port of Montréal and Downsview Park, both of which are now proudly part of the management portfolio of Canada Lands. In these pages you will find details about the progress of the amalgamation between these three entities under Canada Lands. The company is enthusiastic to undertake the challenge of this new paradigm, and is working diligently to bring its standards of excellence in real estate development and tourism to its newest properties.

We are grateful for the trust you have demonstrated in us this past year, and your support in helping us continue to fulfill and expand our mandate. Next year is slated to hold further milestones for the company in multiple lines of business, all of which serve to create even greater value for the Government of Canada and its communities. I look forward to sharing them with you in 2013–2014.



GRANT B. WALSH
Chairman

PEOPLE, RESOURCES AND STRATEGY

Message from the Chairman

What an exciting and eventful fiscal year. Canada Lands enjoyed significant economic success in 2012–2013 as well as assuming responsibility for two very important real property assets in Montréal and Toronto. Unfortunately, we also received the resignation of our President and CEO, in turn appointing an Acting President and CEO in his stead.

The Board of Directors recognizes its responsibilities to include the following:

1. To recruit, retain, evaluate and compensate the CEO
2. To approve the Strategic Direction
3. To provide a high level of operational oversight
4. To perform the audit function, including the measurement and management of risk

Canada Lands Company remains predominantly a real estate development resource of the Government of Canada. In addition, we hold and operate science, education and tourism assets for the benefit of our shareholder. The latter responsibility makes us one of the largest tourism destination operators in Canada. We also lease the property under the Rogers Centre and the soon to be opened Ripley's Aquarium of Canada.

In January 2013, Robert Howald was named Acting President and CEO of Canada Lands Company CLC Limited. With more than a decade of experience as Canada Lands' Senior Vice President of Real Estate, Robert stepped into the role previously filled by Mark Laroche, who after five years of great service and success at Canada Lands, decided to pursue an opportunity closer to his family. We thank Mark for his years of dedication and wish him all the best in his future endeavours.

On November 29, 2012, the Government of Canada authorized the amalgamation of Parc Downsview Park (PDP), the Old Port of Montréal Corporation (OPMC) and Canada Lands Company CLC Limited (CLC). Existing members of the PDP Board were released, and as sole shareholder of PDP and OPMC, CLCL appointed its directors to the Boards of PDP and OPMC and elected its Chairman to that role in all corporations.

The Board of Directors assumed expanded responsibilities as members of the Boards of Canada Lands Company Limited's (CLCL) wholly-owned subsidiaries, PDP and OPMC, both of which had been reporting directly to the Government of Canada.

While the legal amalgamation of CLC, PDP and OPMC has not yet occurred, Canada Lands is already in control of its three subsidiaries. The membership of all four boards is now identical, and CLC, PDP and OPMC share the same Chairman, Acting President and CEO, CFO and Corporate Secretary.

These changes have been significant. As Chairman of Canada Lands, I can say that while the transition period has been challenging, it has also been a testament to the wonderful staff that have made integration of resources and control possible.

To date, the company has contributed over $1 billion to the Government of Canada as payment for properties, elimination of carrying costs, payment of taxes, and declaration of dividends. This is in addition to the $7 billion in development expenditures stimulated for all past and current projects.

Canada Lands is privileged to be entrusted with the leadership of PDP and OPMC. Although the organizational structure of Canada Lands and its subsidiaries has changed, its strategy and direction have remained focused: Vision, Mission, Values and Strategic Direction.

This annual report serves as a profile of an organization poised to take its next step forward. The Board of Directors is confident that we have the leadership (current and future), strategic direction and enviable operating results to expand our service to Canada. We look forward to the future as we embark upon increasing our portfolio as a real estate, tourism and education resource.

I want to thank all Canada Lands Board members, employees and strategic partners for making this past year successful. Our effort together has built an organization that is recognized for shareholder value, enhanced communities, environmental responsibility, civic and military legacy and excellence in multiple industries. It is our highest honour to serve our country through our areas of unique expertise.

GRANT B. WALSH
Chairman

A SOLID FOUNDATION

Message from the Acting President and CEO

The focus at Canada Lands Company has always been singular: to optimize the financial and community value of strategic properties that are no longer required by the Government of Canada. The solution to that challenge is always evolving, as are the parameters of the challenge itself.

It is a privilege for me to be writing this message as Acting President and CEO of the company. CLCL has achieved great successes across the country this year, and is better positioned than ever to meet the unique challenges that lie ahead.

The company's solid foundation has always been our staff. This year CLCL welcomed new colleagues from the Old Port of Montréal and Downsview Park, who together with CLC's offices from Chilliwack to Montréal, have worked diligently to solidify the company's brand in three lines of business: as a real estate developer with vision, an innovative tourism operator and an experienced property management company.

Since its inception in 1995, Canada Lands Company has returned $493.9 million in cumulative distributions to its shareholder.

Across Canada, CLC spent the year continuing to focus on improving the civic, financial and environmental legacies of the communities it works in.

In British Columbia, work has begun on River's Edge, the next phase of development for the former Canadian Forces Base (CFB) Chilliwack. The site's transformation has been an unequivocal success, garnering recognition for its planning, liveability and environmental sustainability.

In Toronto, CLC completed a dramatic transformation of public infrastructure in the heart of the downtown core. The renovation, which includes new public walkways, stunning electronic signage and public art installations, will draw visitors toward the CN Tower's newly renovated entrance, as well as the neighbouring Ripley's Aquarium of Canada on leased CLC land.

In Ottawa, the company initiated public consultations on its redevelopment of the former CFB Rockcliffe. The first event attracted hundreds of local citizens eager to learn more about what is sure to be a defining community in our nation's capital.

This year also brought significant expansion to the organization, as CLC assumed management of Parc Downsview Park and the Old Port of Montréal following a Government of Canada mandated amalgamation.

CLC's track record with former Department of National Defence bases across Canada makes Downsview a perfect fit within CLC. Projects at Garrison Crossing, Currie Barracks, the Village at Griesbach and other sites have been cited by industry peers and local citizens alike as innovative examples of urban development done right.

Just this year in Oakville, Ontario, CLC's redevelopment project at the former DND Surrey Lands site became the first-ever LEED-ND 2009 certified project in Canada. This pioneering achievement is a prime example of the industry leadership that CLC pursues every day.

Although the company has only just begun to assume the day-to-day operations and redevelopment planning at Downsview Park, it is bringing a wealth of experience and enthusiasm as it engages with the community in transforming this 572 acre (231.5 hectare) site into a source of municipal pride.

Similarly, CLCL is excited to welcome the Old Port of Montréal into our portfolio. The Old Port is one of Canada's most important historical sites, as well as a popular tourism destination. The diversity of the Old Port, which includes the Montréal Science Centre, makes it a unique match with CLC's expertise. I have complete confidence that CLC staff, old and new, will continue to make this site on Montréal's harbourfront a thriving destination, along with the Nouveau Havre de Montréal project.

It's been a busy year, but even through periods of transition and growth, CLC's ability to focus on its mandate has been unwavering. The company's strong track record of success, its values and its experienced staff have given CLC a solid foundation to build on.

Exciting challenges lie ahead. CLC is ready for them.

ROBERT A. HOWALD
Acting President and CEO
Canada Lands Company Limited
Canada Lands Company CLC Limited
Old Port of Montréal Corporation Inc.
Parc Downsview Park Inc.

BOARD OF DIRECTORS

All Canada Lands Company Limited board members also sit on the boards of Canada Lands Company CLC Limited, Parc Downsview Park Inc. and Société du Vieux-Port de Montréal inc.

GRANT B. WALSH, MBA, C.DIR., CHAIRMAN

Grant B. Walsh is the chairman of Walsh Delta Group Inc., a firm specializing in governance, strategy, leadership and performance improvement. He serves as the president and CEO of the Group Health Centre in Sault Ste. Marie, Ontario. As well, Mr. Walsh is Chairman of Canada Lands Company Limited and its three subsidiaries, and Medifocus Inc. (TSX-V and OTC-QX). He is also a member of the boards of directors of Algoma University and the Foundation of the Montréal Science Centre.

He holds a master of business administration in finance from Southern Illinois University, Edwardsville, Illinois and a designation as a Chartered Director from McMaster University and the Conference Board of Canada. His undergraduate degree in English and philosophy is from Roberts Wesleyan College, Rochester, New York.

W. MICHAEL EVANS, MBA

Mr. Evans is president of Atlas Development Corporation, a private commercial real estate development company active throughout Western Canada with its head office in Calgary. Atlas currently owns and manages 1.2 million ft² of industrial, office and retail space. Mr. Evans is also a director of Huntingdon Real Estate Investment Trust. He has a degree in engineering from McGill University and an MBA from the Ivey Business School at the University of Western Ontario.

LLOYD S.D. FOGLER, Q.C.

Mr. Fogler is a senior partner at Fogler, Rubinoff LLP, Barristers and Solicitors, in Toronto. He is past chair, current director and honorary officer of both Mount Sinai Hospital and Mount Sinai Hospital Foundation. He is also a past trustee, and now an honorary trustee, of the board of trustees of the Royal Ontario Museum. Mr. Fogler holds a bachelor of commerce from the University of Toronto and a bachelor of laws from Osgoode Hall Law School. He was appointed Queen's Counsel in 1970.

CLINT HAMES

Mr. Hames has a long history of public service. He was the director of vocational and employment services with the Chilliwack Society for Community Living from 1975 to 1993. In 1990, he was elected as a city councillor and subsequently served as mayor of Chilliwack from 1999 to 2008. His business experience includes positions as vice-president and chief operating officer of Pacific Developmental Pathways Ltd. and vice-president of Clarion Business Services Ltd. He is also president of Hames & Associates Consulting Ltd., a company he founded in 1993. Mr. Hames was awarded the Queen Elizabeth II Golden Jubilee Medal for community service in 2003.

WAYNE MACINTOSH, CA

Mr. Macintosh is a retired partner of Grant Thornton LLP, where for over 20 years he provided financial management and counselling services across eastern Nova Scotia to a wide range of businesses and government clients.

ALANA McPHEE

Ms. McPhee has over five years' experience with a niche investment bank specializing in structured finance which has included oversight of over $4 billion in real estate assets under management. Ms. McPhee holds a bachelor of laws degree from Dalhousie Law School and a bachelor of commerce degree in finance and marketing from St. Mary's University. She has also served as a member of the board of trustees of the Toronto International Dance Festival and as a director and treasurer of the Women in Capital Markets Association.

LOUISE N. PELLETIER, BA, LL.B, LLM

Louise Pelletier is a lawyer with extensive real estate experience, having worked for one of the ten biggest real estate companies in the world. Mrs. Pelletier was assigned to the investment team and responsible for legal matters in several of over 15 jurisdictions where the company is active. She is a member of the Québec Bar and of the Law Society of New Brunswick.

CORPORATE GOVERNANCE

The commitment of Canada Lands Company Limited (CLCL) to proactively improve its governance practices and the transparency of its operations has been instrumental in its success. These improvements help to ensure that the Company's robust governance framework remains on course and current with CLCL's operational direction as the Government of Canada's real estate development and asset management Crown corporation.

CLCL BOARD AND THE BOARDS OF ITS SUBSIDIARIES

All CLCL Board members are also members of the Board of Canada Lands Company CLC Limited, one of CLCL's wholly-owned subsidiaries. CLCL has two other wholly-owned subsidiaries, Old Port of Montréal Corporation Inc. (OPMC) and Parc Downsview Park Inc. (PDP). Prior to November 29, 2012, OPMC and PDP were both "deemed parent" Crown corporations pursuant to the *Financial Administration Act*, and as such, both entities reported directly to the Government of Canada. OPMC and PDP also had separate Boards. On November 29, 2012, the Government of Canada issued orders-in-council that repealed the "deemed parent" status of OPMC and PDP, released the members of the PDP Board, and authorized the amalgamation of PDP, OPMC and Canada Lands Company CLC Limited (CLC). As sole shareholder of PDP and OPMC, CLCL appointed its directors to the Boards of PDP and OPMC.

While the amalgamation of CLC, PDP and OPMC is not yet complete, CLCL is already in full control of its three subsidiaries. The membership of the Boards of CLCL, CLC, PDP and OPMC is now identical, and CLC, PDP and OPMC share the same Acting President and CEO, and Corporate Secretary. The three subsidiaries now operate under a unified management structure.

BOARD COMMITTEES AND THEIR ROLES

All of the Board's committees are composed of no fewer than three directors, all of whom are neither officers nor employees of the Company or any of its affiliates (except for the President and CEO, where applicable). Although the Board may delegate various duties to the committees, each committee remains under the direction of the Board and each committee's ultimate responsibility is to report to the Board and, where necessary, to seek its approval.

Since most Board members expressed interest and commonly attended all committee meetings, a more efficient structure was adopted – the Committee of the Whole meeting concept. Through this structure, committee discussions are integrated into the Board agenda. Committee items are chaired by the committee's chair, who is the subject matter expert. If action is required, the Board's Chair guides the action as a Board decision, rather than a committee recommendation to the Board.

GOVERNANCE COMMITTEE

The main objective of the Governance Committee is to optimize the effectiveness of the Board in directing and managing the business and affairs of the Company. The Committee achieves this objective by continually reviewing and striving to improve the Board's corporate governance processes, guidelines, structures and practices and by making recommendations thereon to the Board. Such activities include reviewing Company policies and procedures and the terms of reference and composition of Board committees, commissioning an evaluation of Board members, and making recommendations on Governor in Council appointments. The Committee is also responsible for ensuring the orientation of new Board members, as well as for their ongoing training and education.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is mandated to review, report and, when appropriate, provide recommendations to the Board regarding human resources matters of the Company. The Committee ensures that appropriate corporate policies and programs relating to human resources are in place to attract and retain personnel with the quality required to meet the Company's business objectives.

The Committee ensures that the Company's compensation programs reward employee performance and create shareholder value. The Committee also monitors social and public issues, such as bilingualism, pay equity and employment equity. It ensures that the Company's policies and programs comply with regulatory requirements affecting human resources and that professionals are engaged by the Company to assist in the administration of the Company's compensation programs and the investment of the Company's pension plan funds.

AUDIT COMMITTEE

The Audit Committee advises the Board on the soundness of the financial management of the Company, and assists the Board in overseeing internal control systems, financial reporting, risk management and the internal and external audit processes. In the case of the Company undergoing a special examination, the Committee reviews and approves the plan for the special examination, reviews the report of the findings of the examiner on completion, and advises and makes recommendations to the Board with respect thereto. It also has the authority to investigate any activity of the Company, and all employees are obliged to cooperate with any such investigation.

INVESTMENT COMMITTEE

The Investment Committee provides advice and guidance to management on major projects identified by the Board from time to time. This past fiscal year, the Committee was actively involved in a joint venture project for Currie Barracks in Calgary and the decision to sell the retail component of Garrison Village in Chilliwack. The Committee also received updates regarding transactions, including those related to the Montréal New Harbourfront initiative and the sale of properties in Toronto and Oakville, and made recommendations to the Board regarding further actions and decisions.

RISK COMMITTEE

The Risk Committee's mandate is to optimize the balance between return and risk in the operations of CLCL and its subsidiaries. The purpose of the Committee is to assist the Board in fulfilling its responsibility with respect to oversight of the Company's risk management framework, and to embed and maintain a supportive culture in relation to the management of risk through established rules and procedures. The Committee is also responsible for educating the Board on various risks on a regular basis.

BOARD COMMUNITY OUTREACH

Although Board meetings are normally held in Toronto, the Company's head office location, directors may, on occasion, meet in other cities across Canada in order to allow Board members to familiarize themselves more fully with the Company's various projects and the communities in which the projects are located, as well as to meet with local stakeholders in those communities. For this fiscal year, the Board held two meetings in Montréal in connection with the amalgamation of CLC, PDP and OPMC. In addition, regional Board representatives met with partners and officials across the country.

DIRECTOR CONTINUING EDUCATION

As part of Board governance best practices, directors attend continuous learning events and education sessions that enhance their skills, performance and contributions to the Board. A number of governance courses are offered by the federal government through the Canada School of Public Service, and Board members are encouraged to attend such courses, since they deal with the role of the director of a Crown corporation, as well as with understanding the government environment and its impact on Crown corporations. To complement these programs, Board members may elect to attend industry-related courses and topic-specific seminars that are relevant to the Company.

DIRECTOR ATTENDANCE AND COMPENSATION

There were nine CLCL Board meetings and multiple conference calls held during the fiscal year. Directors were able to attend meetings either in person or by phone. With the implementation of the Committee of the Whole concept, committees met during each of the Board meetings.

The compensation for the Chairman and Directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairman and $4,500 for Directors, as well as a per diem rate of $375 for both the Chairman and Directors ($250 for teleconference meetings).

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

In keeping with CLC's Vision, Mission and Values statements, the company continues to place a strong emphasis on its enterprise risk management (ERM) objectives and internal controls environment. The CLC risk register and resulting action plans are updated periodically as part of CLC's strategy of risk reporting to the board of directors. This ensures a disciplined and organized risk management approach, so that policies, guidelines, processes and practices are defined and formalized across the company.

The risk management function addresses the following three broad types of enterprise risk for the company:

- business/strategic risks (changes in legislation, regulations, compliance, people risks, organizational structure and business processes);
- operational and hazard risks (business continuity, people risks, insurance, project management, documentation and records, security and IT); and
- financial risks (financial targets, budgets, financial monitoring and internal controls).

ERM is a continuous management strategy that is made significantly more effective with better information, reporting and communication. Managing and monitoring risk at the project level is one of the company's key objectives over the years ahead, and ERM oversight is being extended to cover major projects and program delivery risks. As well, best practices in risk management and controls were implemented in the analysis of opportunities and risks preceding the formal launch of the company's social media program in fiscal year 2011–2012.

Risk management and internal control initiatives completed during the 2012–2013 fiscal year included:

- Completion of property risk exposure assessments for CLC's insurable values and forms of valuation (replacement cost, actual cash value or demolition) for property assets, business interruption/rental income insurance and vacant land, to help ensure the company's property and liability insurance program meets CLC's needs cost-effectively.
- Consolidation of insurance programs for CLC, PDP and OPMC that will result in the company experiencing future annual savings of $300K.
- Continued monitoring and updating of CLC's comprehensive detailed risk register, including all businesses.
- External review of procedures and practices at the EdgeWalk attraction at the CN Tower.

INTERNAL AUDIT ACTIVITY

Internal audit planning is based on comprehensive risk assessments, validation and refreshing of CLC's current detailed risk register for high-risk areas, as well as for those areas of concern to senior management and the board. Internal audits were completed this fiscal year on the CN Tower (and CLC) payroll and on the external property management controls for our Western Canada projects.

BALANCED SCORECARD

A balanced approach that has yielded strong results

Since 1997, CLC's balanced scorecard approach to doing business has enabled the company to pursue both financial and non-financial objectives with equal consideration. The scorecard has 33 organizational performance targets, measured by 69 metrics. Each financial and non-financial target pertains to one of six key objective areas: engaging communities, developing sustainably, valuing people, managing the environment, contributing to society, and strengthening business operations.

In order to continually generate innovative solutions, CLC refined and enhanced the balanced scorecard in 2009–2010 in line with best practices. The scorecard today reflects the most relevant, meaningful and measurable economic, social and environmental performance targets, which are material to CLC's external and internal stakeholders.

* Balanced Scorecard excludes Parc Downsview Park Inc. and the Old Port of Montreal Corporation

ENGAGING COMMUNITIES/STAKEHOLDERS

Objective: Listen to communities/stakeholders to understand their needs and create value for them.

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
Undertake shareholder consultation on all new development projects – prior to CLC acquiring title (converse with federal government departments, elected officials, etc.)	Number of new development projects where shareholder consultation has been undertaken prior to CLC acquiring title	**3 projects** › **Jericho Lands (DND)** › **Fairmont Complex (PWGSC)** › **West Vancouver Vacant Lands (DFO)**
	Percentage of new development projects where shareholder consultation has been undertaken prior to CLC acquiring title	**100% of projects**
Undertake stakeholder consultation meeting(s) with the municipality, community groups, and/or the general public on all new development projects – prior to CLC finalizing the development vision for properties and obtaining municipal approvals	Number of new development projects where this has been done	**4 projects** › **1 Port Street, Mississauga** › **Rockcliffe, Ottawa** › **Griesbach Square (mixed-use), Edmonton** › **River's Edge, Chilliwack, B.C.**
	Percentage of new development projects where this has been done	**100% of projects**
Achieve a minimum satisfaction score of 75% for CLC engagement approach in all new development projects	Average satisfaction score for new projects based on community consultation comments cards or website questionnaire prior to submission of application for municipal planning approval	**4 projects** › **Griesbach Square** – no formal feedback sought › **River's Edge** – questionnaires were employed at public open house held by CLC and results tabulated › **1 Port Street** – no formal feedback sought › **Rockcliffe** – no formal feedback sought

BALANCED SCORECARD

DEVELOPING SUSTAINABLY

Objective: Create environmentally sustainable neighbourhoods and buildings in line with urban planning best practices

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
All new development projects and owned and operated buildings achieve third-party assessed equivalencies to green certification (e.g. LEED Building, LEED-ND, BOMA)	Number of projects achieving this	**2 projects**
	Percentage of projects achieving this	**100% of projects** › **Rebecca Street** – approved for LEED-ND certification; also includes 63 units certified under LEED for Homes › **Les Bassins (Montréal)** – LEED-ND certification in progress; silver certification expected
Design access to both planned and existing public transit for 75% of residential units in all new residential or mixed-use development projects	Number of residential units within a five-minute walk from a planned or existing public transit stop (measured at time of municipal planning approval)	**918 residential units** › **Griesbach** – Stage 11 – 106 of 106 › **Griesbach** – Stage 14 – 453 of 453 › **Rebecca Street** – achieved 100% of units within five-minute walk of a bus stop – 124 of 124 › **Les Bassins** – 235 of 235
	Percentage of residential units achieving this	**100% of units**
Optimize land use efficiency (density) in all new development projects	Percentage of projects receiving municipal planning approvals with a density of residential units higher than the average within 250 m/metres of the project	**100% of projects** **1 project** › **Rebecca Street** – achieved a ratio of approximately 18 (25 uph vs 14 uph)
Optimize livability of all new development projects receiving municipal planning approvals, by designing for public open space and a mix of housing forms and pricing levels	Percentage of projects with a mix of at least three different forms	**50% of projects** **2 projects** › **Rebecca Street** – had only two forms and did not meet these criteria › **Griesbach** – Stage 11 – garage suites, detached small lots, front drive lots; Stage 14 – mixed use townhomes, 4-story multi-adjacent, existing detached single-family homes
	Percentage of projects with more public open space than municipal requirements and improved to a level above municipal requirements	**50% of projects** **1 project** › **Rebecca Street** – over 7% designated parkland, compared to 5% minimum requirement
	Percentage of projects targeting various pricing levels (through housing form, quality and/or unit size)	**100% of projects** **2 projects** › **Rebecca Street** – achieved a number of pricing levels by offering 25-foot condominium townhouses and single detached lots with 40, 50, 55 and 60-foot frontages › **Griesbach** – Stages 11 and 14 – various pricing levels through diversity in housing types

VALUING PEOPLE

Objective: Strive to become an employer of choice by 2012.

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
Improve overall employee satisfaction by 5% by the end of 2011–2012, using 2009–2010 as the base fiscal year (base result for real estate operating divisions and corporate departments was 72.8%, and base result for CN Tower was 69.8%)	Total percentage level of satisfaction based on survey results for corporate departments and real estate operating division employees Percentage change from 2009–2010 levels Total percentage level of satisfaction based on survey results for CN Tower employees Percentage change from 2009–2010 levels	**N/A** **Employee engagement survey was postponed due to the amalgamation.**
Strive for zero harm among workers and visitors	Recordable critical injury frequency for employees and visitors at owned and operated buildings	**No critical injuries**
Provide training and education opportunities for employees	Percentage of full-time employees receiving training and educational assistance	**88% of company employees are recipients** (85% for REC division and 100% for CN Tower division)
	Dollars spent on training and educational assistance (average per full-time employee)	**$576 average per employee** ($1,267 for REC division and $328 for CN Tower division)
Maintain voluntary employee turnover rate at 5% for real estate and corporate operating divisions	Full-time voluntary turnover percentage for fiscal year	**4.3%**
Maintain voluntary employee turnover rate at 6% for CN Tower operating division	Full-time voluntary turnover percentage for fiscal year	**5.1%**

BALANCED SCORECARD

MANAGING THE ENVIRONMENT

Objective: Manage resources responsibly and respect the environment.

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
Reduce energy use in CLC owned and operated buildings	Total energy use in Kilowatt-hours (kWh) consumed	**(CN Tower only) 12,466,553 kWh** – 451,000 kWh can be attributed to the Le Café equipment and 146,122 KWH to construction on the patio
	Total energy use in kWh consumed per square foot	**(CN Tower only) 5.22 kWh/ft²**
	Percentage change in energy use from previous fiscal year per square foot	**(CN Tower only) 5% increase**
All new buildings in development projects constructed to independent energy efficiency standards (ensure through inclusion in contracts with site purchasers where necessary)	Number of new buildings meeting these criteria	**3 new projects** › **Garrison Crossing (Chilliwack, B.C.)** – 199 of 199 units › **Lindys Crossing (Chilliwack, B.C.)** – 81 of 81 units › **Les Bassins** – 235 of 235 LEED-NC certified
All refurbished buildings in new development projects renovated to improve energy efficiency	Number of refurbished buildings meeting these criteria, based on an energy audit	**No new projects**
	Percentage of refurbished buildings meeting these criteria	
Divert at least 85% (by weight) of demolition waste from landfill	Total amount of demolition waste diverted from landfill (by weight)	**7,958 tonnes**
	Percentage of waste (by weight) diverted	**82.9%**
Divert at least 60% (by weight) of waste from landfill for owned and operated buildings	Total amount of waste diverted from landfill (by weight)	**(CN Tower only) 217 tonnes**
	Percentage of waste (by weight) diverted	**(CN Tower only) 73%** – temporary waste bins contributed to the lower number because of projects within the building; total renovation on Far Coast to Le Café, HR office remodeling, CCTV
Adopt best practices for stormwater management in all new development projects	Number of projects receiving municipal approvals for using at least four identified best practices and/or Low Impact Development (LID) site design strategies	**1 project** › **Currie Barracks – Phase 1** – includes: rainwater harvesting; use of cisterns; infiltration trenches; underground storage; extensive rain gardens; permeable pavement; bio-retention; adoption of landscape code for private lots to ensure control of stormwater and plant diversity; preservation of existing trees and extensive planting of new vegetation
Reduce water consumption in CLC owned and operated buildings	Total water consumption (volume)	**(CN Tower only) 69,010 m³**
	Percentage change from previous fiscal year	**(CN Tower only) 3% decrease** – constant use of water for the saw cutting on the patio resulted in an increase in water use

CONTRIBUTING TO SOCIETY

Objective: Create community value.

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
Up to $150,000 towards corporate philanthropy	Dollar amount spent	**$67,850**
Seek opportunities to create lasting legacies for all development projects	Number of acres (hectares) of public usable open space, created since company inception in 1995	**212.5 acres (86 hectares)**
	Number of legacy project components celebrating Canadian heritage, created since company inception in 1995	**32 legacy project components**
	Cumulative total dollar amount spent by CLC on legacy project components since inception in 1995	**$9.9 million**
Cumulative projected development expenditures for CLC and site purchasers since company inception in 1995 for all past and current projects	Projected amount spent by CLC and its site purchasers	**$8 billion**
	Number of person-years of construction employment that these development expenditures equate to according to industry standards	**62,400 person-years of construction employment**
Projected annual property tax contributions for all past and current projects at completion	Projected amount of increase in annual property taxes due to development by CLC and its site purchasers	**$125.1 million**
Provide affordable housing choices for residential development projects through sale of development lands by way of the SFRPHI program	Number of development projects where this has been done	**No sales completed under SFRPHI program in fiscal year**
	Percentage of development projects where this has been done	

BALANCED SCORECARD

STRENGTHENING BUSINESS OPERATIONS

Objective: Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties.

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
Optimize financial value and returns paid to shareholder	Comprehensive income	**$51.4 million**
	Revenues in past fiscal year	**$205.5 million**
	Capital and development expenditures in past fiscal year	**$60.5 million**
	Distributions to shareholder in past fiscal year (dividends, cash acquisitions and note repayments)	**$60.0 million in dividends and loan paydowns and $2.3 million in note repayments**
	Cumulative distributions to shareholder since company inception in 1995 (dividends, cash acquisitions and note repayments)	**$493.9 million**
Achieve a gross margin on total real estate property sales of at least 25%	Gross margin as a percentage	**55.0%**
Achieve a gross margin on CN Tower operations of at least 60%	Gross margin as a percentage (including food and beverages and attractions)	**62.1%**
Income tax contribution	Amount of income tax paid for past fiscal year	**$10.9 million**
	Amount of income tax paid cumulatively since company inception in 1995	**$142.9 million**
Improve customer satisfaction for CN Tower visitors (to favourably influence attendance)	Past fiscal year satisfaction score	**66%**
	Prior fiscal year satisfaction score	**67%**
Contribute to reduced federal government liability for surplus contaminated sites through remediation of properties acquired by CLC	Dollar amount reduction in government liability over the past fiscal year	**No new properties acquired**
	Cumulative dollar amount reduction in government liability since company inception in 1995	**$92.5 million**
	Cumulative environmental remediation amount spent by CLC since company inception in 1995	**$85.1 million ($53.3 million spent by CLC and $31.3 million spent by its site purchasers)**

STRENGTHENING BUSINESS OPERATIONS

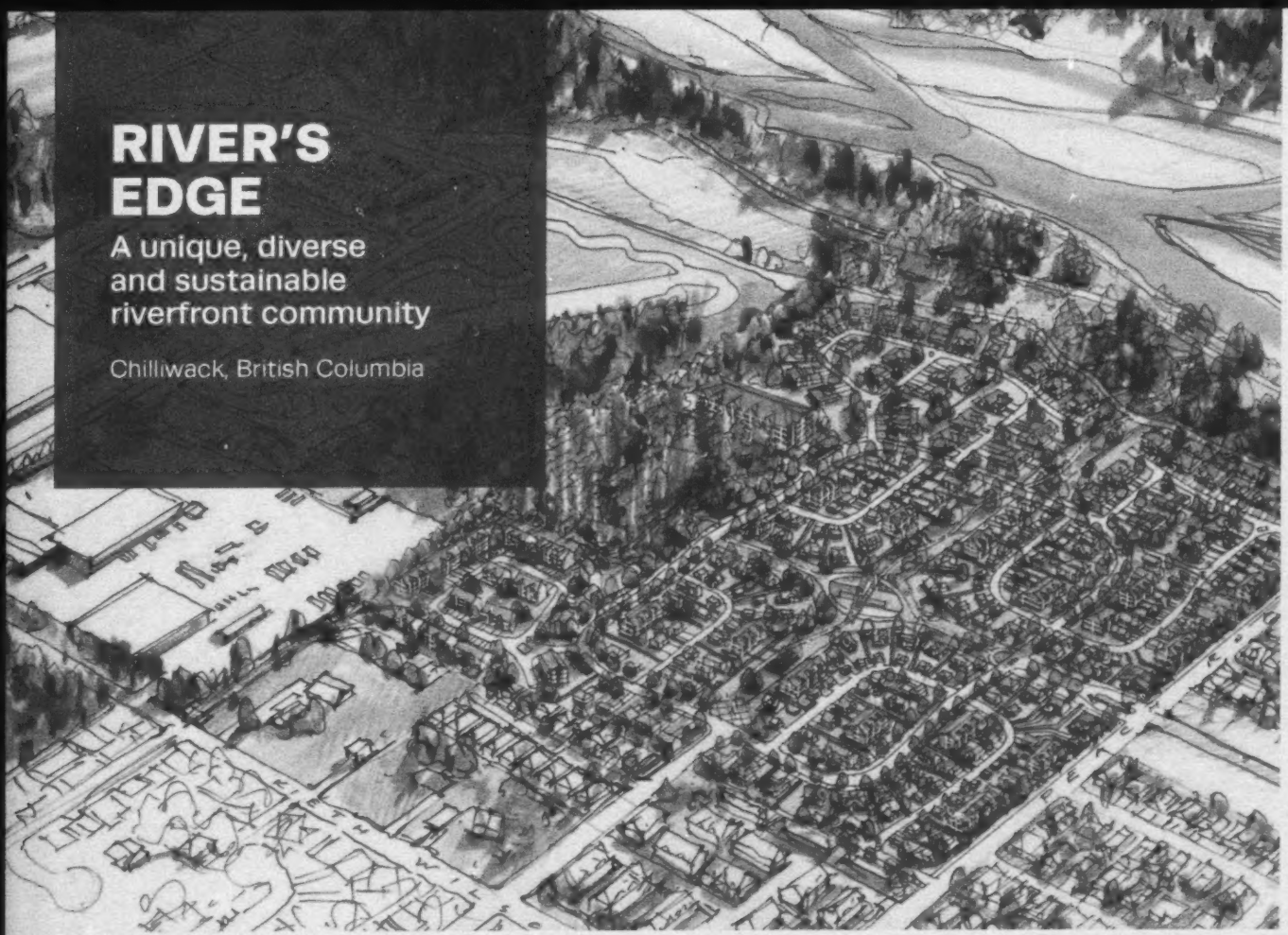
Objective: Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties

TARGET	METRIC(S)	2012–2013 FISCAL YEAR END RESULT
Generate annual Payment in Lieu of Taxes (PILT) savings for the federal government through CLC property acquisitions	PILT savings generated for properties acquired over past fiscal year	**No new properties acquired**
	Cumulative dollar amount in annual generated savings since company inception in 1995	**$39.4 million**
	Estimate of potential annual government PILT savings that could be realized through CLC acquisition of all identified current surplus strategic properties	**$6.8 million**
Generate annual operating and maintenance (O & M) savings for the federal government through properties acquired by CLC	O & M savings generated for properties acquired over past fiscal year	**No new properties acquired**
	Cumulative dollar amount in annual O & M savings generated since company inception in 1995	**$21 million**
Convert surplus federal properties back to productive use through sale or possession to CLC	Number of properties converted back to productive use through sale or possession to CLC during fiscal year	**No properties sold to CLC**
	Total area in acres (hectares) converted back to productive use through sale or possession to CLC during fiscal year	**No properties sold to CLC**
	Cumulative number of properties converted back to productive use through sale to CLC since company inception in 1995	**63 properties**
	Total area in acres (hectares) converted back to productive use through sale to CLC since company inception in 1995	**9,031 acres (3,655 hectares)**
	CLC property acquisition rate for fiscal year (based on book value of development properties)	**No new properties acquired**
	CLC property disposal rate for fiscal year (based on book value of development properties)	**18%**

RIVER'S EDGE

A unique, diverse and sustainable riverfront community

Chilliwack, British Columbia



River's Edge, in British Columbia, is the third remnant of the former Canadian Forces Base (CFB) Chilliwack to be master planned, rezoned and developed by CLC. Situated near the company's award-winning Garrison Crossing community, River's Edge encompasses 43.2 acres (17.5 hectares), with highlights including 1,312 feet of waterfront along the Vedder River and 3.8 acres (1.5 hectares) of mature trees. These natural elements will be retained, enhanced and ultimately dedicated to the City of Chilliwack for parks and recreation purposes.

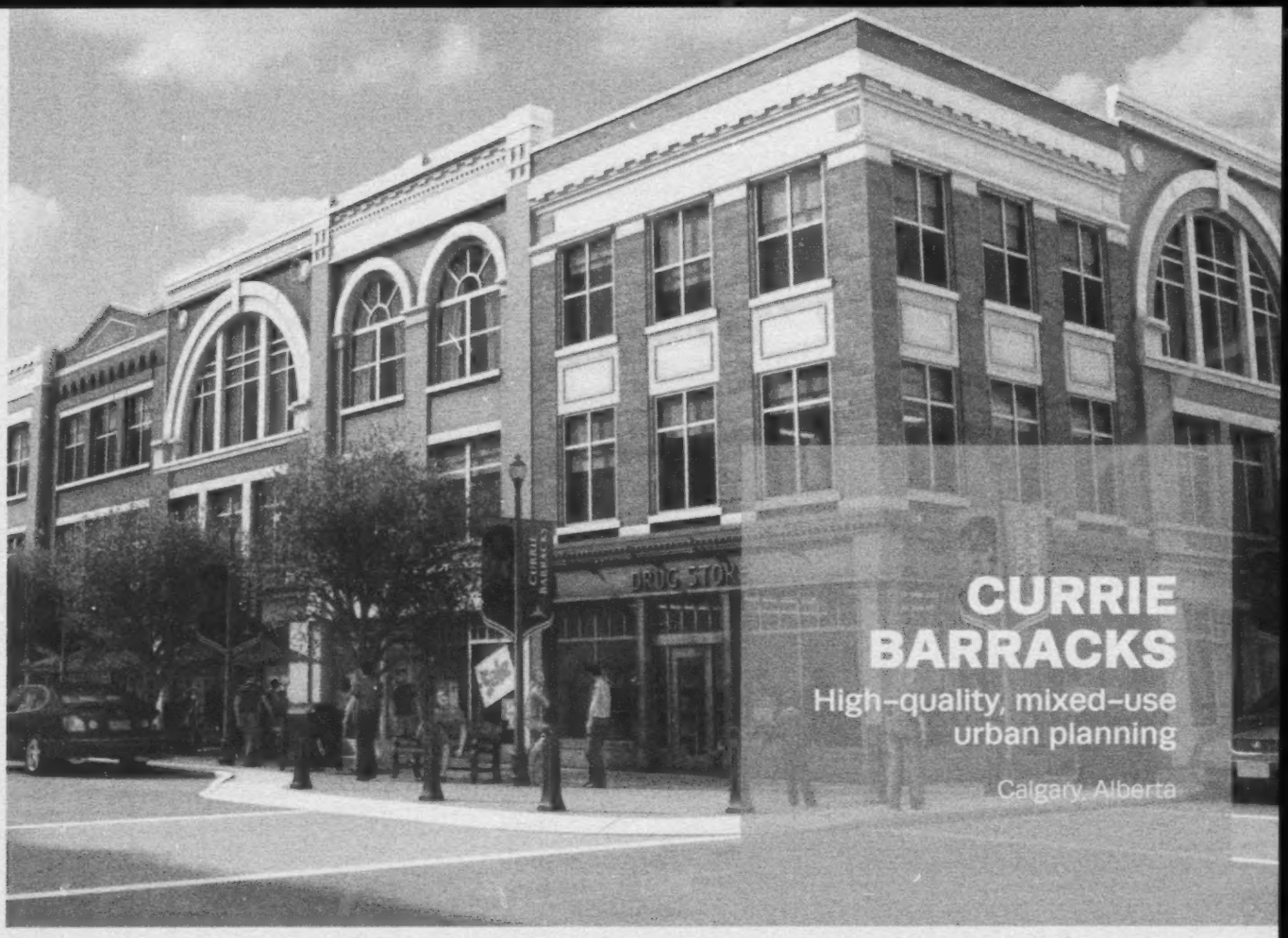
The vision for River's Edge is to create a unique, diverse and sustainable riverfront community that complements its surroundings, contributes to the healthy growth of Chilliwack and builds on the site's natural assets. The project will be a model of progressive and responsible real estate development that respects the natural environment, connects to its neighbours and provides for a broad range of housing choices, to include: freehold (fee simple) in single family, duplex and rowhouse forms; and strata title condominiums in town house, duplex and apartment forms.

As planning begins to ramp up for this project, Canada Lands has put the site's myriad natural assets at the forefront of its urban planning strategies.

A tree conservation and natural enrichment strategy is in place to conserve and enhance the natural assets of the site through sensitive development and urban design. A diversity of spaces will be created to provide a recognizable neighbourhood structure with public space, increase safety and foster privacy, where applicable. Part of this neighbourhood infrastructure will include new networks for transit and cyclists, and interconnected green spaces – all the while working to integrate this new community into the greater surrounding neighbourhood.

A number of architectural styles will be encouraged when housing construction begins, with standards and quality comparable to those found at our Garrison Crossing mixed-use development. We are always looking for innovative new designs that will add new life, refinement and articulation to a home, while utilizing durable materials and practicing sustainable design.

New homes will be designed to maximize efficiency and minimize resource use. In line with Canada Lands Company's mandate and prior development history, a variety of sustainability programs will be considered for River's Edge, including: LEED for New Homes, Built Green, Energuide and Canadian Passive House Standards, among others. Heating and cooling homes through a district energy system will also be considered.



CURRIE BARRACKS

High-quality, mixed-use urban planning

Calgary, Alberta

The award-winning community of Currie Barracks continues to grow. Nestled just below the City of Calgary's downtown core, the project this year completed a request for proposals (RFP) process to select a joint venture partner for the site's next phase: 22 acres (8.9 hectares) of mixed-use retail, office and multi-family residential development.

Launched in October 2012, multiple proposals were received for the RFP, with four submissions shortlisted and interviewed before CLC finally selected a joint venture partner in March 2013.

Currie Barracks' mixed-use project is located within the South East quadrant of the former CFB Calgary lands. The five-year plan for the High Street is to create a vibrant retail environment and local office pillar for the community.

Integrating into the long-term vision for Currie Barracks, the High Street addition is intended to improve overall land value in the surrounding area, while also providing an important retail and employment precinct for citizens of Calgary to live, work and play.

As part of the joint venture agreement, CLC's JV partner will be tasked with the construction of retail, office and multi-family buildings within the mixed-use project. CLC will be responsible for the subdivision construction and both partners will participate in the urban design of the mixed-use community.

The high-quality, mixed-use urban planning that CLC and its partner are projecting is well aligned with the greater city-building goals and growth management strategy of the City of Calgary.

Although at the time of this report no announcement has been made about this joint venture, a public notice is expected in 2013.

Before the end of 2013, CLC anticipates that a detailed comprehensive plan for the community will be completed, with a submission for application to the City of Calgary before the end of CLC's next fiscal year.

CN TOWER AWARDS AND ACCOLADES IN 2012–2013

Innovator of the Year Award – EdgeWalk at the CN Tower *Ontario Tourism Awards*

Technical Innovation Award – EdgeWalk at the CN Tower *World Federation of Great Towers*

Gold – Best Ontario Attraction *Toronto Sun Readers' Choice*

Culinary Tourism Experience (Finalist) *Ontario Tourism Awards*

Best Tourism Advertising (Finalist) *Ontario Tourism Awards*

Most Romantic Restaurant – 360 Restaurant *WHERE Magazine*

Gold – Best Restaurant with a View – 360 Restaurant (since 1994) *Toronto Sun Readers' Choice*

BOMA BESt Level 2 National Green Building Certification *Building Owners and Managers Association*

Over its 36 years, the CN Tower has established itself as an iconic Canadian and Toronto landmark, an engineering wonder and an essential telecommunications hub. As a first-class entertainment, dining and event centre, it is one of Canada's best-run tourism operations and one of the most unique destinations in the world.

In 2012–2013, the CN Tower achieved attendance of 1.47 million visitors and generated a record amount in overall revenues of $62.7 million, exceeding budget by 3.6%, and earnings before interest, taxes, depreciation and amortization of $20.8 million.

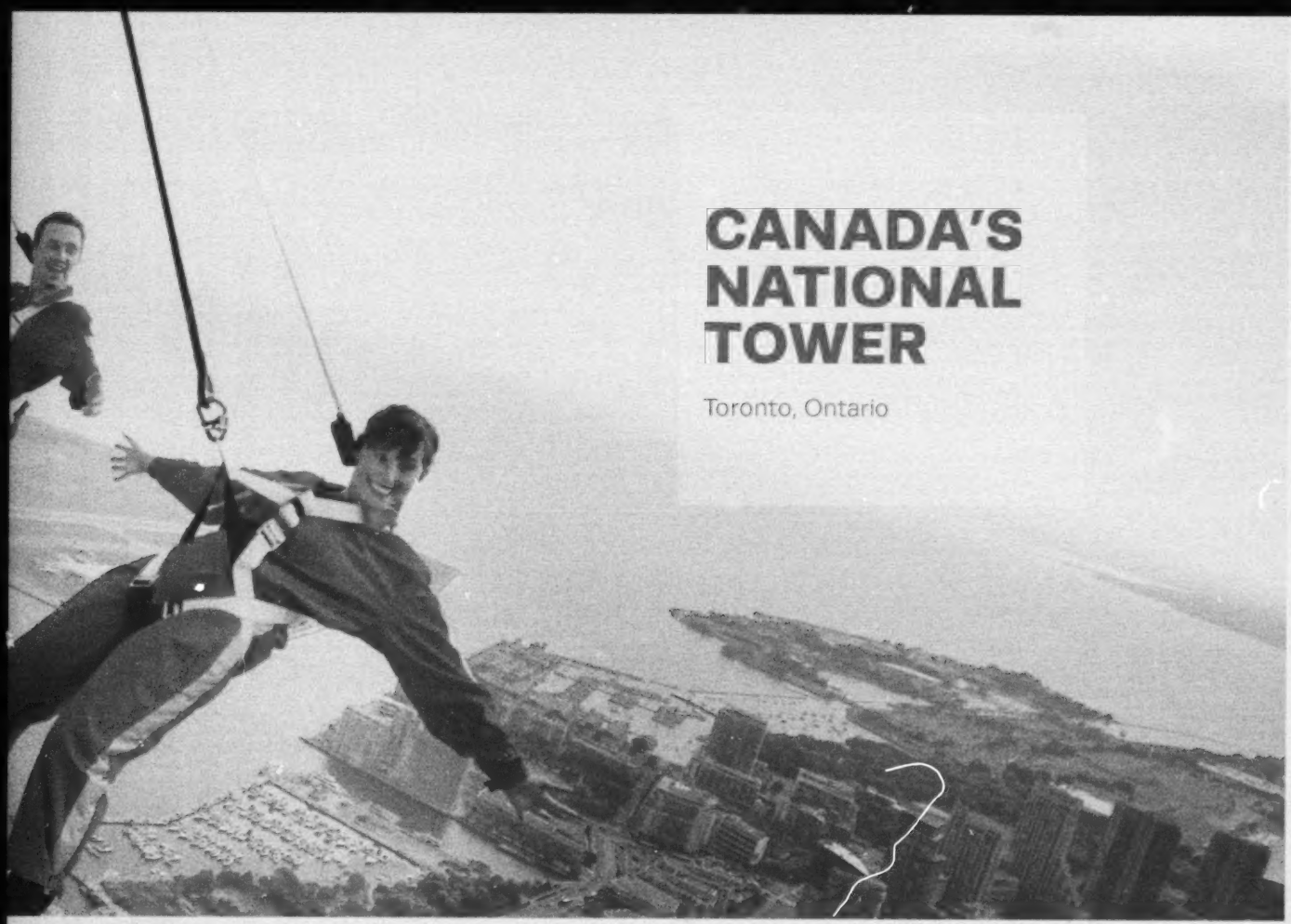
These are strong results in a continually challenging business environment, reflecting the positive impact of a number of initiatives undertaken throughout the year.

A new general admission pricing model was introduced in December 2012, designed to clarify consumer options at the box office through a one-price all-access model, optimize revenue and mitigate any risk of balk in customers' decision-making while also providing great value.

When EdgeWalk opened in August 2011, it provided Toronto with its first new attraction in almost two decades and emerged as the first truly urban adventure experience in Toronto.

2012 was the first full season of EdgeWalk, and it exceeded attendance expectations by 18.5%, and surpassed budgeted revenues by 20.7%. Such strong performance helped to reduce the financial pay back time frame to just 18 months from the original forecast of 34 months.

EdgeWalk continues to present a dynamic opportunity to refresh the CN Tower's overall offerings and generate a new sense of relevance in the minds of the Tower's current and future audiences.



CANADA'S NATIONAL TOWER

Toronto, Ontario

"EdgeWalk is a game changer for our industry. How often does NBC's Today Show sign up to cover a tourist attraction outside of the United States? CN Tower EdgeWalk has added a new, unexpected dimension to Toronto."

– Joel Peters, Senior Vice President and Chief Marketing Officer, Tourism Toronto

The significant international publicity it garnered was sustained throughout the 2012–2013 fiscal year, and the attraction became the basis for a number of awards bestowed on the Tower during the year.

The CN Tower celebrated several milestones in 2012, among them the fifteenth anniversary of its celebrated "wine cellar in the sky" at the *360* Restaurant, as well as the fifth anniversary of the programmable architectural LED lighting program on the Tower exterior.

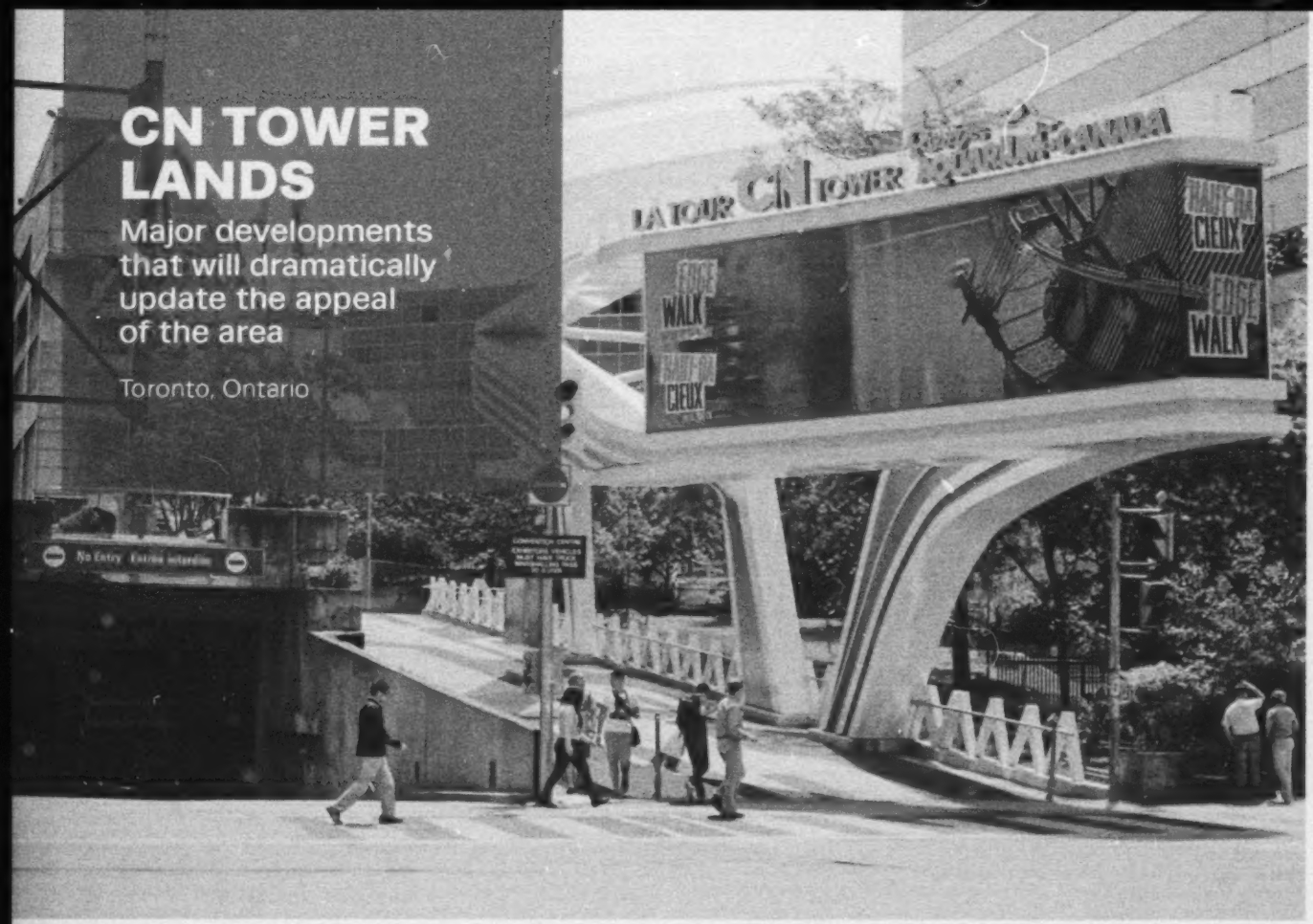
Upon its introduction in 2007, the Tower's lighting program redefined the Toronto skyline, and it has since become synonymous with the public recognition of citywide events, charitable events and causes, seasons and special holidays.

During the London 2012 Olympic and Paralympic Games, the Tower was lit in a celebration of pride and support for all Canadian athletes participating at the Games.

In March 2013, the Tower's lighting played a notable part in the premiere of *A Toronto Symphony: Concerto for Composer and City*, by composer Tod Machover of the world-renowned MIT Media Lab and the Toronto Symphony Orchestra (TSO). The staging of this event involved a collaborative light show that was synchronized visually with the TSO's live performance, and streamed over the internet for the public.

Construction of the Ripley's Aquarium of Canada on the lands adjacent to the CN Tower continued through 2012–2013, with final completion and opening expected in the summer of 2013.

Accompanying that attraction, a complementary component of the overall project began in summer 2012, encompassing a redesign of the exterior public plaza leading to the south entrance of the Tower. This upgrade included a major enhancement to visitor arrival through a new weather protecting canopy over the exterior box office, a digital gateway video sign at the location of the Tower's primary Front Street address, and a refined vertical portal with new exterior elevators and a staircase providing improved access to both the CN Tower and the Aquarium.



CN TOWER LANDS

Major developments that will dramatically update the appeal of the area

Toronto, Ontario

The lands directly surrounding the CN Tower have seen rapid transformation this past year, with several major developments nearing completion that will dramatically update the appeal and functionality of the area.

Ripley's Aquarium of Canada is scheduled for its grand opening in late 2013. In anticipation of hosting Canada's soon-to-be largest aquarium, Canada Lands Company has nearly completed a $15-million facelift of the CN Tower plaza and public walkway at the intersection of John and Front Streets. The renovation is extensive, and is intended to provide a greater presence for the CN Tower and the aquarium along the street-level corridor.

After a Canada-wide two-stage design build competition in 2011, a plan by the team of Graham Infrastructure, IBI Group and Kramer Design was selected. After much work in 2012, the installation of a large, eye-catching LED display has been completed as the primary feature of the new John Street gateway, and a central component of the plaza's enhanced visual appeal. Utilizing curved, sweeping architectural cues based on the themes of wind and water, the undulating LED gateway serves to enhance the vista at a distance, as well as creating flow from the street into the plaza.

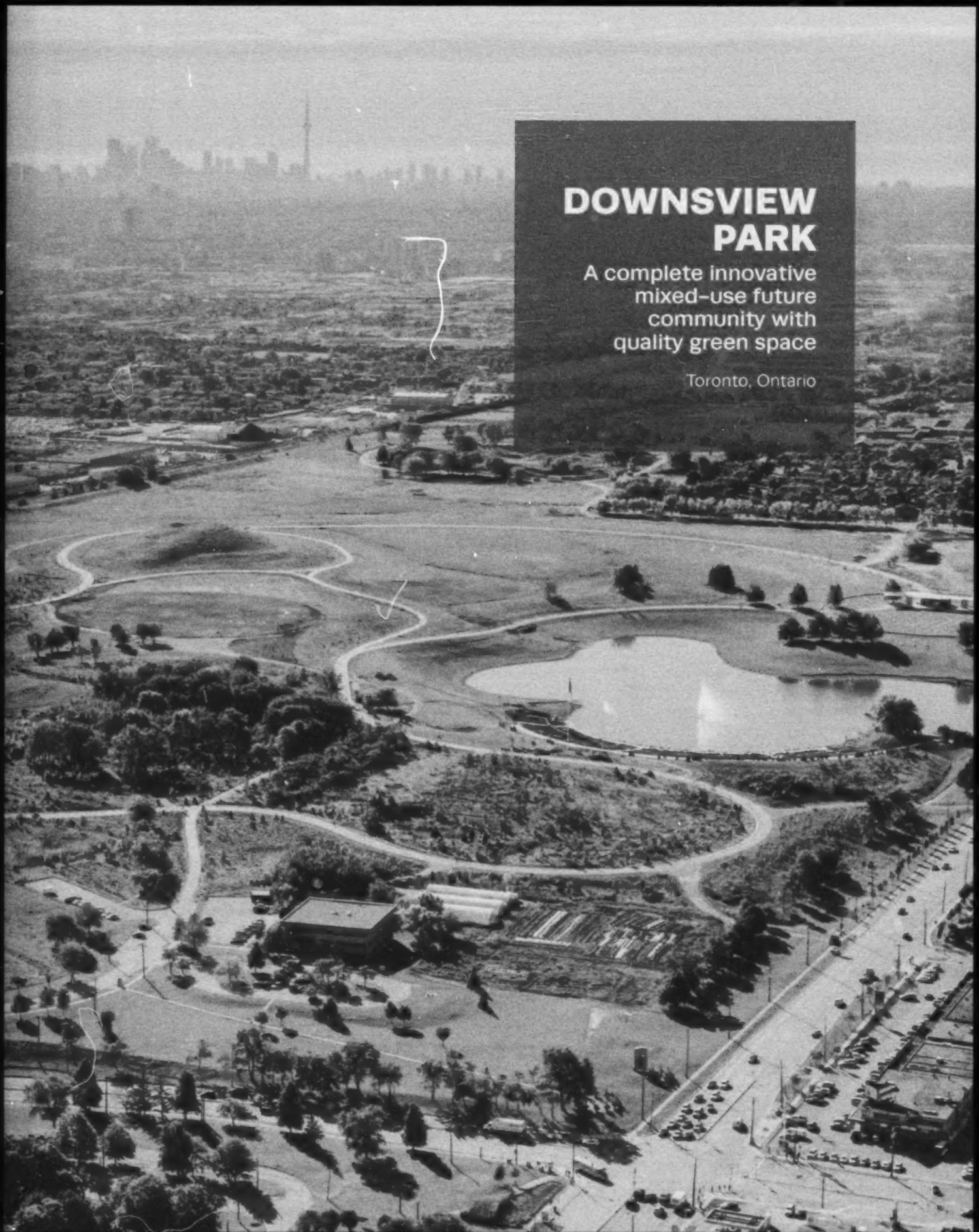
The digital signage also provides a vibrant street-level branding presence for the CN Tower, the aquarium and potentially for other local and municipal attractions as well. Construction was completed on the LED gateway in spring 2013, with the large-format screen powering up for the first time in May 2013.

Entering the plaza, pedestrians are led into a new canopy structure that has been constructed to provide shelter over the CN Tower box office. Along with new signage that adds to the functionality of the plaza, new, bright red glass glazing and a contemporary glass awning bring a much-needed sense of vibrancy to the public space.

Ongoing work on the Ripley's Aquarium of Canada itself continues as it races towards its opening. At the time of this report, work to be done includes construction of the exterior curtain wall; testing and commissioning of the life support systems; hydro testing and theming of the main tank exhibits; and installation of interior finishes.

Once open, the aquarium will be the largest facility of its kind in Canada, and it is expected to generate more than $11 million in tax revenues per year. As the first new major tourist destination to open in the City of Toronto in over a decade, the Ripley's Aquarium of Canada is projected to have an annual economic impact of more than $35 million on GDP, including expected tourist spending.

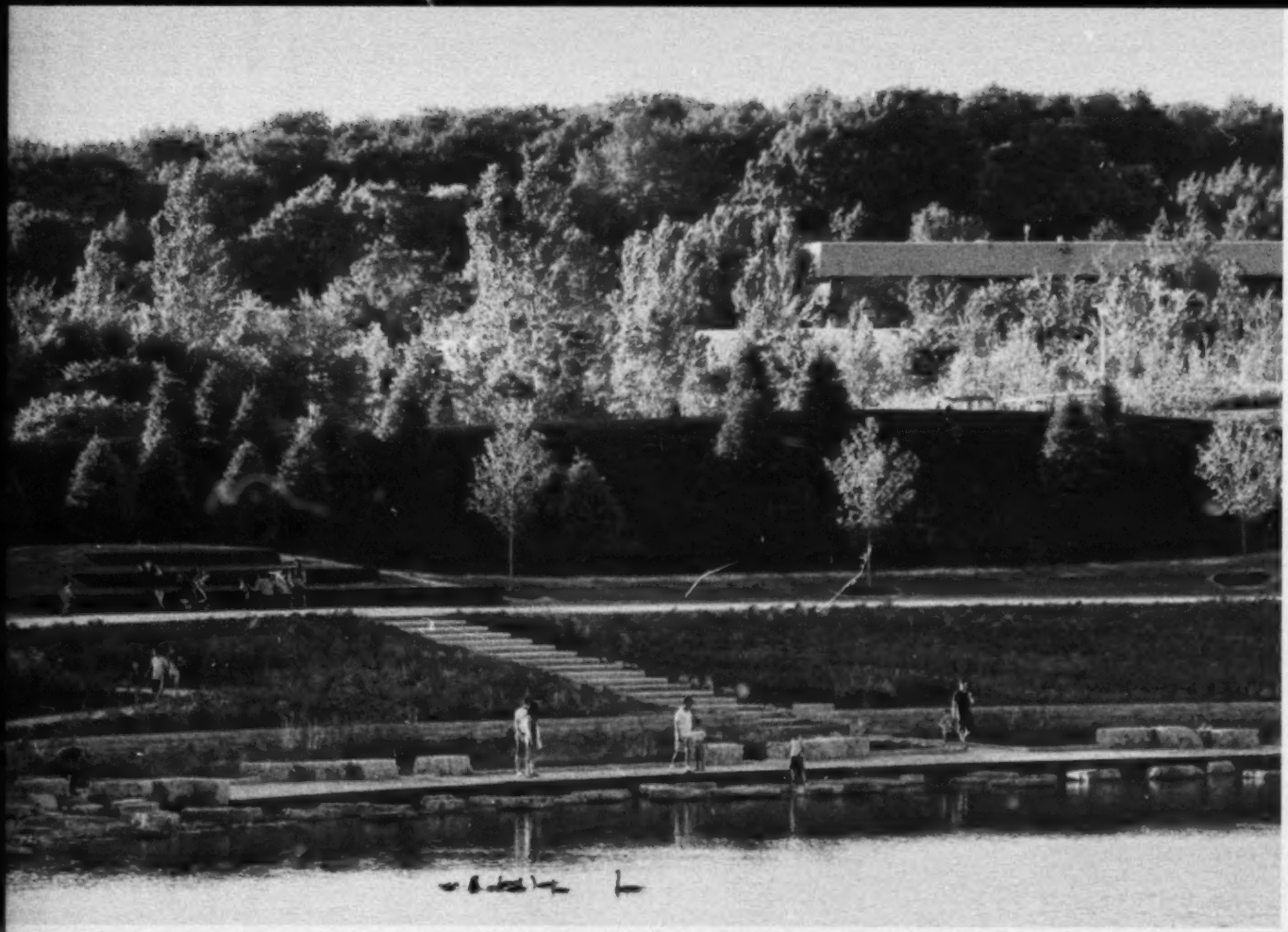
An estimated 300–350 jobs will be created by this project in total, providing employment opportunities for Torontonians in the rapidly growing neighbourhoods nearby.



DOWNSVIEW PARK

A complete innovative mixed-use future community with quality green space

Toronto, Ontario



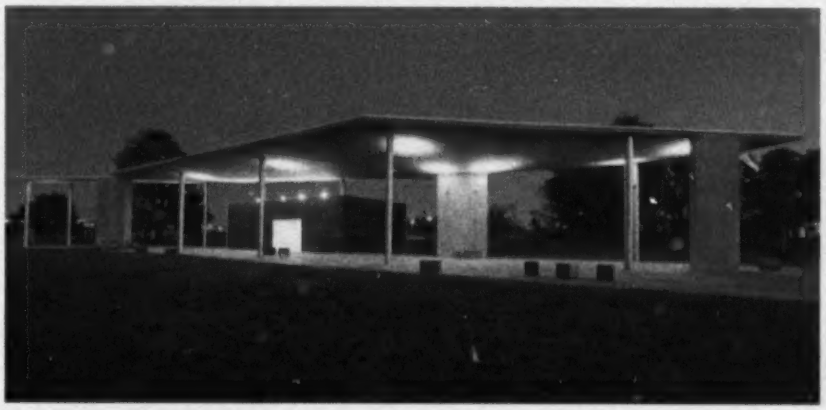
Downsview Park, a former military base located in the centre of the Greater Toronto Area, is an approximately 572-acre (231.5-hectare) parcel of land that sits on one of the highest elevations in the City of Toronto. Currently, more than half of the site accommodates a mix of publicly accessible parkland, commercial uses and community services offering a diverse range of public activities and programs, with the remainder of the site anticipated to be used for eventual redevelopment.

In November 2012, the Government of Canada announced the amalgamation of Parc Downsview Park Inc. (PDP) with Canada Lands Company CLC Limited (CLC), with Downsview Park slated to transition into an important real estate project of Canada Lands Company. With this transition, all site activities and events are currently in the process of being assessed based on CLC's mandate and redevelopment initiatives.

In 2013, the company began an informal community engagement program targeted at local stakeholders. This effort will enable the company to develop a more formal process with a much wider audience, anticipated to begin in the fall of 2013. The objective of the wider consultation effort will be to gain community insight into a long-term strategy for the overall site and viability of local programming and events.

In February 2013, CLC/PDP received conditional approval for the rezoning and draft plan of subdivision for its Stanley Greene neighbourhood. Final approval is expected in mid-2013.

With this approval, the company will move forward with the development plans for this neighbourhood by completing necessary engineering design and other infrastructure work in preparation for commencement of construction.



CLC's community engagement initiative will become a key component in developing a detailed strategy for the remainder of the site. Also key are consultations with the City of Toronto. With an existing official municipal plan in place for the site, a substantial framework for any future development of the site already exists.

A number of key capital projects were completed at Downsview in 2012–2013, leading up and contributing greatly to the opening of a newly created, publicly accessible green space in June 2012. The new park includes several features: The Orchard provides a new trailhead for the public at the south end of the park and includes an apple orchard, open parkland, a restroom pavilion and shade structure; a unique storm management pond called The Lake features a water's-edge boardwalk, as well as a variety of pathways and gardens for the public; and finally, the park's main pedestrian and cycling route, The Circuit Path, was completed and now includes a paved pathway surface, lighting, tree plantings, site furniture and amenities.

Downsview Park saw the commissioning of the Toronto FC Soccer Academy in 2012 and groundbreaking for the new Buckingham Sports four-pad arena, both within the Downsview Park Sports Centre.

PDP LEASING PROGRAM AND UNIQUE EVENT OFFERINGS

Downsview Park hosts a variety of short-term and long-term tenants ranging from industrial warehousing to recreational, trade show and film/television productions. Downsview has long been a hub for the film and television industry, playing host to tenants filming and several site shoots for productions such as *Covert Affairs*, *Flashpoint*, *Lost Girl*, *Nikita* and *Suits*.

In 2012–2013, Downsview Park continued to engage the public through its year-round seasonal, cultural and special concert events, alongside unique educational and recreational programs.

Cultural events this past year included Festival de Verano, Jamaica Day and the Junior Carribean Carnival. Many charity events also utilized the site and its amenities, such as Girls on the Run and Weekend to End Women's Cancers. Downsview also continued its tradition of providing free community events, such as Canada Day fireworks and Earth Day activities.

AN EDUCATIONAL RESOURCE FOR THE COMMUNITY

For hundreds of teachers and parents across the Greater Toronto Area, Downsview Park is a valuable educational and recreational resource for children and youth. 2012–2013 saw the launch of Nature Connection, a free family-friendly program that explores nature-based themes in a unique urban park environment. Hosted twice a month, 22 classes have been held to date with over 400 community participants, including children, youth, adults and seniors.

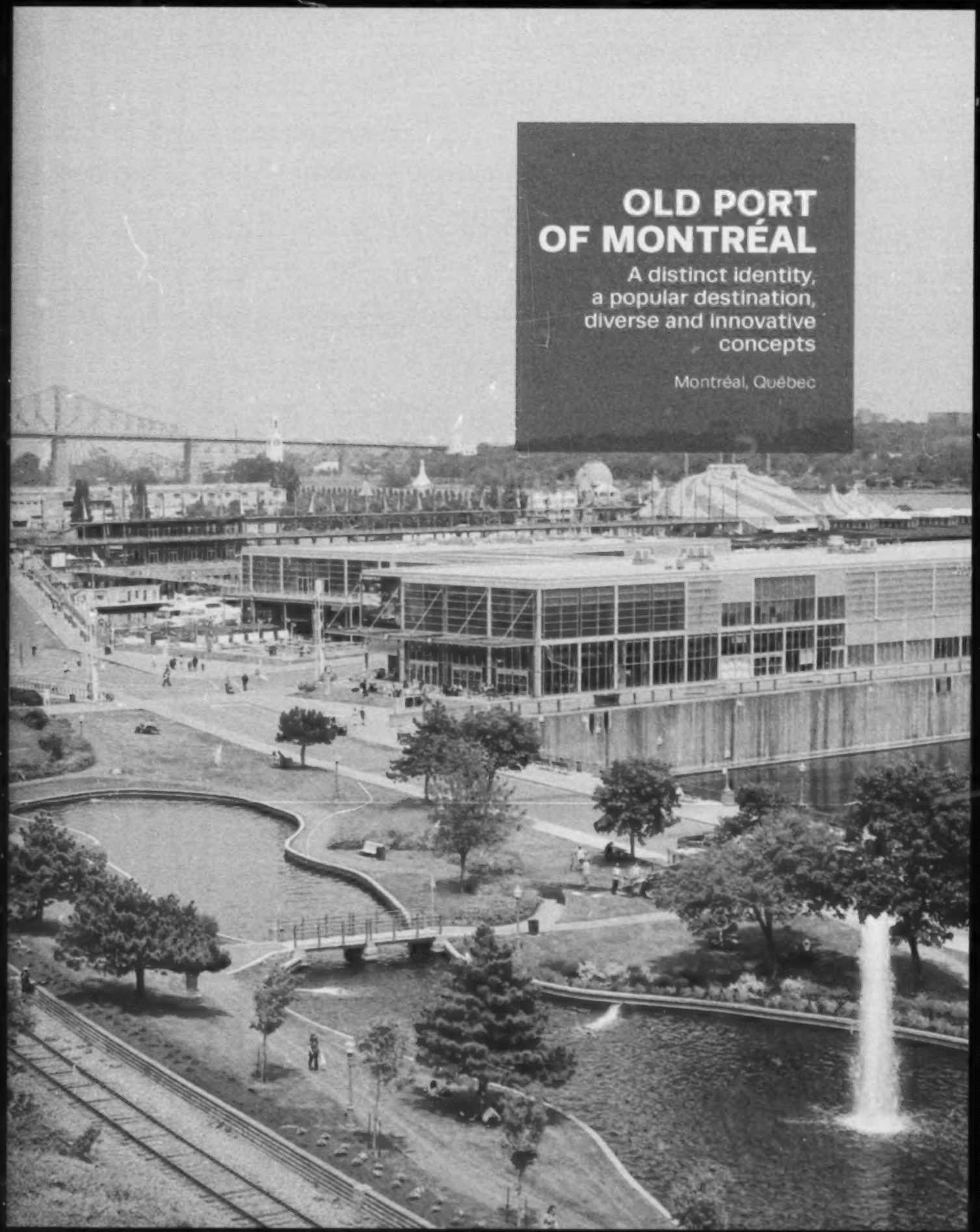
Two new school programs were also launched this past year – Junior Park Explorers and Urban Biodiversity – in addition to 17 other curriculum-based school programs for junior kindergarten to grade 9, focusing on sustainability. Additionally, Downsview Park continued to offer its popular Summer Dayz Camp for children aged six to 12 years, with 636 participants in 2012 – an increase of 10 per cent over the prior year. A new camp subsidy program was also launched that extended the day camp experience to children and youth requiring financial aid.

In 2012–2013, visiting students helped plant over 2,100 trees in Downsview Park's urban forest and assisted with the upkeep of a community garden that yielded more than 80 pounds of produce, which was donated to a local food bank. Downsview also participated in the Bring Back the Salmon project this year, in which 89 Atlantic salmon were raised and released into a local river. In another public program, nine bird boxes have been constructed and strategically placed at various locations throughout the park to provide nesting sites for threatened bird species.

Downsview Park is one of the founders of Ontario EcoCentres, a comprehensive sustainability-based certification program and network of education centres. As an active member of the Ontario Back to Nature Network, along with 70 other organizations, Downsivew Park staff contributed to the recent publication *Into Nature: A Guide to Teaching in Nearby Nature* and presented at the Back to Nature Ontario workshop.

A HOME FOR TORONTO'S AMATEUR ATHLETES

The Hangar, owned and operated by Downsview Park, is a 45,000-square-metre (485,000-square-foot) multi-purpose facility with a pub style restaurant. Upgrades to the facility include the installation of three digital televisions that display field rentals and internal promotions. The Hangar continued its successful operations through 2012–2013. More than 1,300 sports teams utilized the Hangar's various facilities – an increase of over 10 per cent. Indoor soccer teams experienced tremendous growth, with 758 teams using the site, up from 689 last year.


OLD PORT
OF MONTRÉAL
A distinct identity,
a popular destination,
diverse and innovative
concepts
Montréal, Québec

In November 2012, the Government of Canada announced the amalgamation of the Old Port of Montréal Corporation Inc. (OPMC) with Canada Lands Company CLC Limited, ushering in a new era for the historic harbourfront site.

Moving forward, Canada Lands Company will continue to work with OPMC's key stakeholders in establishing a long-term vision for the site – one that will maintain its prominence and importance in the greater Old Montréal landscape while optimizing the operations of Québec's largest tourism hub. The Old Port will keep its distinct identity while being integrated into CLC's Québec real estate division. The lands will be considered alongside CLC's neighbouring holdings

in the Nouveau Havre. Any future plans will involve extensive community engagement. The Montréal Science Centre will operate as its own division within CLC in much the same manner as the CN Tower.

STILL THE NUMBER ONE TOURISM DESTINATION IN QUÉBEC

Attracting tourists and Montréalers alike, the Old Port of Montréal welcomed more than 6.6 million visitors to its piers in 2012, solidifying it as the most popular tourism destination in Québec.

Summer attendance increased by 6.4 per cent over the previous year, an improvement spurred in part by the presence of a new Cirque du Soleil production (*Amaluna*), the Tall Ships event, the Eurêka! Festival and additional special celebrations, such as the annual Canada Day event.

Winter attendance decreased slightly this year as a result of popular programming coinciding with unfavourable weather conditions. The major winter events included *Igloofest*, *TELUS Fire On Ice* and the *Big Countdown*, which ushered in the new year.

The Old Port skating rink continues to consistently attract a crowd, drawn to its themed evening programs. Despite inclement seasonal weather, the skating rink met its revenue targets, with more than 46,000 visitors hitting the ice.

INNOVATION: ON THE MENU AT THE CONCESSIONS

The Old Port site hosted 56 concessions during 2012, all of which offered enhanced value at the site with diverse and innovative concepts. Some of the playful new concepts offered in the past year included JoyLab, a candy kiosk; MuvBox Porchetta, an Italian pork sandwich specialty store; Pêche Vieux-Montréal and its ice fishing village; and the arrival of Chef Giovanni Apollo and his two new establishments, Les Éclusiers par Apollo and the Apollo Bar at the beach.

It is worth noting that riverside concessions, such as Amphibus, Bateau-mouche, Bota-Bota, Croisières AML and Saute-Moutons, continue to attract a significant number of visitors and highlight the waterfront character of the Old Port of Montréal.

A NEW BEACH, STEPS FROM DOWNTOWN

The Old Port launched a major new addition this year, an urban beach at the Plage de l'Horloge, along with the installation of seven service containers. Opened in June 2012, the Clock Tower Beach offers an urban oasis for visitors, just steps from downtown Montréal. Providing an open view to the river, imported sand, colourful lounge chairs and parasols, misting stations and enhanced public access to the St. Lawrence River, the Clock Tower Beach has already proven a successful addition to the Old Port. In its limited inaugural summer season, the beach attracted 22,000 visitors, while the opening ceremony garnered media coverage in Canada and abroad.

MARINA

The marina at the Old Port has recently been renovated and saw more than 6,000 boaters pass through during 2012–2013. Attracting a clientele of both tourists and local boaters, the marina's visitors enjoyed a total of 1,577 stopovers and 5,776 overnight stays (including seasonal slip rentals). The marina at the Old Port remains a popular destination due to its amenities, its convenient location and the myriad nearby activities.

MONTRÉAL SCIENCE CENTRE

The Montréal Science Centre (MSC) entertained and educated more than 826,000 visitors this year, exceeding its projected level of attendance by 2.5 per cent. With a diverse programming schedule, the MSC's exhibitions this year included the *Star Wars Identities* event (which attracted over 225,000 visitors), the Eurêka! Festival and the winter event *Musik: from Sound to Emotion*, as well as the *Pas de congé pour la musique* event. Overall, the MSC recorded healthy sales 14.5 per cent above projected revenues for the year.

MSC Highlights

The exhibit *Musik: from Sound to Emotion* drew a great deal of attention due to the participation of several world-renowned celebrities, including leading researchers in music, neurology and musicology from the University of Montréal, McGill University and Laval University. The participation of internationally acclaimed pop-rock group Simple Plan also aided in drawing approximately 90,000 visitors to the exhibition.

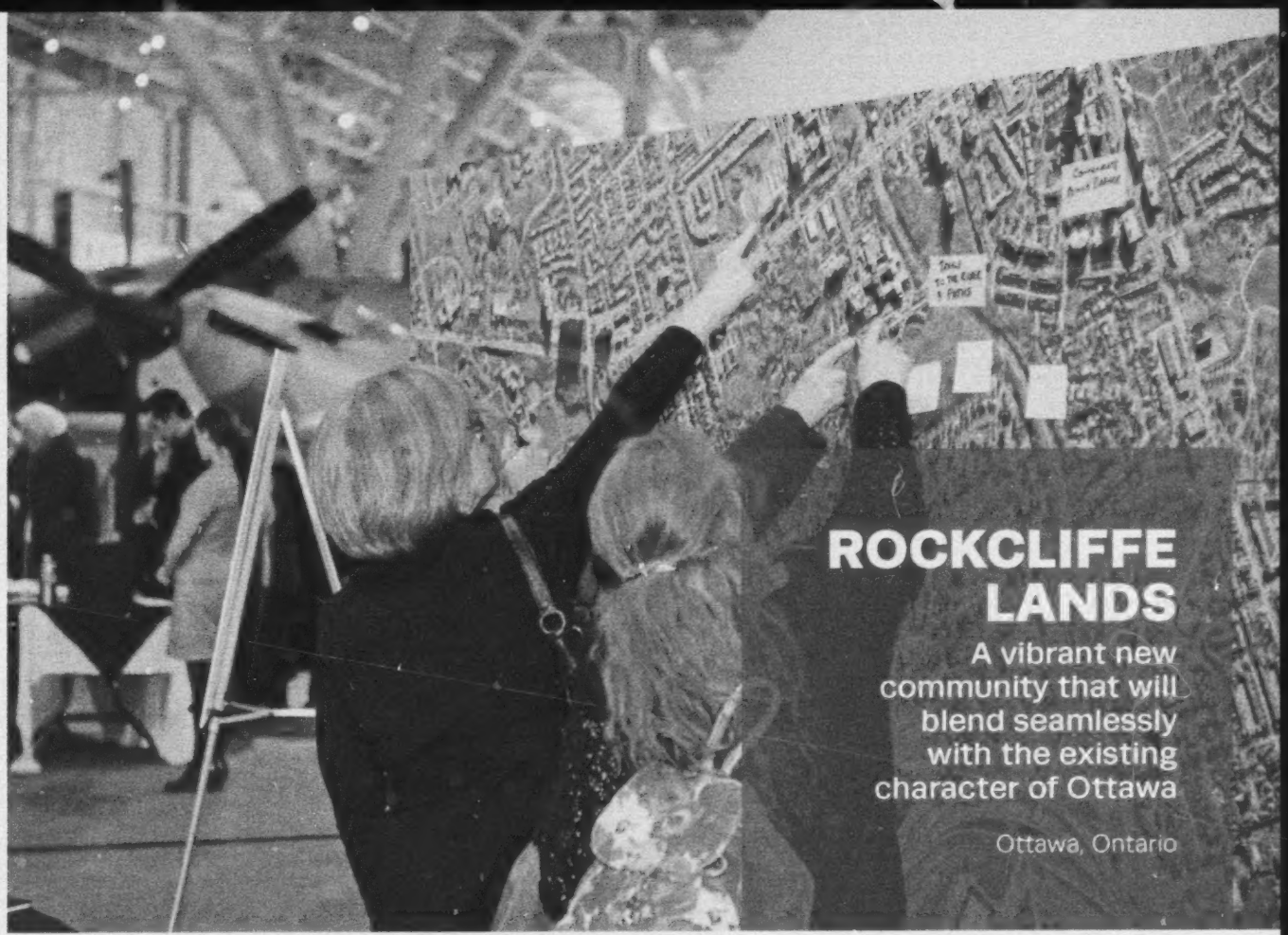
A new permanent exhibit entitled *Clic! The Zone for Curious Young Minds* replaced *Imagine!*, the exhibit previously occupying that space. Created for children aged 4 to 7, *Clic!* was developed and built with the financial support of the Montréal Science Centre Foundation.

Éclairs de science, a free educational program created in cooperation with the Conférence régionale des élus that aims to improve the way science is taught, continues to be very popular with elementary school teachers in Montréal. In total, 140 teachers, 136 classes, 3,000 schoolchildren, 21 teaching consultants, 42 schools, 9 school boards, 34 scientific consultants and 25,318 online users have taken part in the program.

IMAX® TELUS THEATRE

Despite increased competition from the proliferation of 3D films at conventional movie theatres, the IMAX® TELUS Theatre at the MSC maintained an attendance level of more than 344,000 visitors for 2012–2013.

Effective film selection and aggressive marketing helped make the year a success, culminating in the Giant Screen Cinema Association honouring the MSC with its Achievement Award for Best Film Launch by a Theatre, in recognition of the MSC's launch of *Born to Be Wild 3D*. The theatre team also reaffirmed its world-class status with its launch of *Arctic 3D*, bringing in the best attendance for that movie at any box office worldwide.



ROCKCLIFFE LANDS

A vibrant new community that will blend seamlessly with the existing character of Ottawa

Ottawa, Ontario

The 310-acre (125-hectare) Rockcliffe site is located on an escarpment in the heart of Canada's capital city. It enjoys panoramic views of the Ottawa River and the Gatineau hills, and easy access to some of the most scenic parks, pathways and greenways the city has to offer.

Close to Ottawa's urban core, this site presents a rare opportunity to reintegrate a former Canadian Forces Base into its surrounding urban and natural context, creating a vibrant new community that blends seamlessly with the existing character of Ottawa.

The new community will also showcase a relationship that has recently been forged between CLC and the Algonquins of Ontario (AOO). Through a 2010 Participation Agreement negotiated between the AOO and CLC, the development of this new community will provide the AOO with opportunities for commemoration of Algonquin heritage, ongoing consultation, and economic participation in the project.

The redevelopment at Rockcliffe is one of the most anticipated projects in Ottawa, and is also one of the most significant community building opportunities in the nation's capital. The mission is to develop an innovative neighbourhood while setting exemplary standards for design and development: providing for an appropriate mix of housing types, commercial development and employment uses, while creating strong connections among significant natural features, open areas and urban public spaces, with a commitment to sustainable development and long-term economic viability.

A public advisory committee was formed in 2012 to provide insight as the consultation process on the project began. The group is composed of local residents and community stakeholders. In the fall of 2012, CLC launched www.clcrockcliffe.ca, a project website providing news, updates and information as the redevelopment process progresses.

In November 2012, the company held its first public consultation event for the CLC Rockcliffe project. The event, called an "Ideas Fair", was held at the Canada Aviation and Space Museum and was exceptionally well attended, with more than 650 members of the public participating.

On May 25, 2013, the second public meeting was held. A combination open house and day-long workshop, the event invited members of the public to assess, comment and advise on a selection of preliminary planning concepts and design philosophies. Over 200 people participated in the event, many of them enthusiastic about the ideas and vision for the site presented at these early stages.

More public consultation is planned for autumn 2013, when the public will have the opportunity to comment on a preferred plan based upon the past year's consultation, technical analysis, and collaboration with the City of Ottawa. CLC expects to submit the resulting Community Design Plan to the City of Ottawa for approval in early 2014, and may be able to sell the first serviced lots and blocks in this new community by 2016.

YEAR IN REVIEW 2012–2013

ACHIEVEMENTS

- Canada Lands Company began the community consultation process in regards to the redevelopment of the former Canadian Forces Base Rockcliffe in Ottawa, Ontario. The process kicked off with a public Ideas Fair in November, which drew hundreds of enthusiastic local residents.
- The Government of Canada authorized the amalgamation of Parc Downsview Park Inc., the Old Port of Montréal Corporation Inc. and Canada Lands Company CLC Limited.
- Village at Griesbach received two prestigious awards in March at the Canadian Home Builders Association Edmonton Region 2013 Awards of Excellence – Best Subdivision and Best Landscaping and Amenities – both coveted awards that are rarely won by developments as far north as Griesbach.
- In a landmark achievement, CLC's Rebecca Street project in Oakville, Ontario is named the first development in Canada to earn LEED-ND 2009 certification, highlighting the company's commitment to innovation and sustainable design.
- In Chilliwack, British Columbia, the Garrison Crossing development was awarded Best Townhouse Development, for the Brownstones on the Boulevard.
- The LED ribbon and signage that demarcates the entrance to CLC's redeveloped CN Tower pedestrian plaza was turned on for the first time. The signage will provide branding and visibility to pedestrians in the heart of downtown Toronto.
- Once again, the CN Tower was the recipient of multiple accolades this year, which include: Innovator of the Year Award – EdgeWalk at the CN Tower, Ontario Tourism Awards; Technical Innovation Award – EdgeWalk at the CN Tower, Ontario Tourism Awards; and BOMA BESt Level 2 National Green Building Certification, Building Owners and Managers Association.

TRANSACTIONS

- In September 2012, the sale of one acre (0.4 hectare) of land was closed at CLC's Mandeville site in Burnaby, British Columbia.
- Also in September 2012, Block 6 of the Pleasantville development in St. John's, Newfoundland was sold.
- In February 2013, the sale of the 0.86 acre (0.34 hectare) Parcel B, at 3621 Dufferin Street in Toronto, Ontario was closed.
- Also in February 2013, CLC finalized the sale of a 10.8 acre (4.3 hectare) vacant parcel at Trafalgar Road in Oakville, Ontario.
- In March 2013, CLC finalized the sale of 2.5 acres (1 hectare) of land at Glenlyon Business Park in Burnaby, British Columbia.
- Also in March 2013, the sale of 4.4 acres (1.7 hectares) of land at the Village at Griesbach in Edmonton, Alberta was closed for the construction of a new local grocery store.
- In late March 2013, CLC completed the sale of the 1.1 acre (0.45 hectare) 433 Front Street West site in downtown Toronto, Ontario.
- Additionally, the sale of serviced lots and blocks at Rebecca Street, in Oakville, Ontario was closed in late March 2013. The purchase included single lots and two townhouse condominium blocks.
- Numerous serviced lots closed at: Village at Griesbach, Currie Barracks, Pleasantville, Lindys Crossing and Garrison Crossing.

SENIOR MANAGEMENT TEAM

ROBERT A. HOWALD

Robert A. Howald is acting President and Chief Executive Officer of Canada Lands Company Limited and its subsidiaries. He leads the senior management team of the company as it optimizes the financial and community value obtained from real estate properties acquired from the Government of Canada. He holds an MBA from the University of Toronto.

GREG BARKER

Greg Barker is Legal Counsel and Corporate Secretary for Canada Lands Company Limited and its subsidiaries. He advises the company's Board and senior management team on corporate governance matters and is responsible for legal and regulatory affairs. He previously practiced corporate and commercial real estate law at two national law firms.

DOUG CASSIDY

Doug Cassidy is Vice President, Real Estate, Western Region and is responsible for the development of Currie Barracks and other CLC projects in Western Canada. He has 20 years of experience in real estate, land development and engineering, with experience in retail, residential and resort developments. He holds a B.Sc. and an MBA and is a registered professional engineer in Alberta and British Columbia.

JURGEN H. DIRKS

Jurgen Dirks is Chief Financial Officer and Vice President, Administration for Canada Lands Company CLC Limited. He brings a wealth of managerial expertise to his role, leading the finance, human resources and information technology departments of the company. He has extensive experience in the real estate and land development sectors, having previously been executive vice president and CFO of Canada's largest builder and developer of residential communities.

JACK ROBINSON

Jack Robinson is Chief Operating Officer of the CN Tower. Mr. Robinson works to strengthen the Tower's position as a world-class tourist attraction. He has been with the CN Tower for over 20 years and is instrumental in maintaining positive sales and consistently strong financial performance for the Tower. His knowledge of the industry, his strong leadership and marketing skills and enthusiasm all contribute significantly to the success and innovation of the Tower's operations.

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Management's Discussion and Analysis of Financial Results

For the fiscal year ended March 31, 2013

The following Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements included in this annual report.

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis (MD&A) for the year ended March 31, 2013, includes material information up to June 21, 2013. Financial data has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All dollar amounts, unless otherwise stated, are in millions of Canadian dollars, except attendance, per diems and per visitor figures.

Canada Lands Company Limited (CLCL or the company) is the parent company of Canada Lands Company CLC Limited (CLC), and holds the shares of Parc Downsview Park (PDP) and the Old Port of Montréal Corporation Inc. (OPMC) in trust for Her Majesty in right of Canada. On November 29, 2012, the Governor General in Council, on the recommendation of the Minister of Public Works and Government Services, authorized CLCL to procure the amalgamation of OPMC and PDP, effectively granting CLCL the power to determine PDP and OPMC's strategic operating, investing and financing policies. A separate order in council removed OPMC and PDP's parent status.

As a result, OPMC and PDP's operations have been consolidated in the financial results for the year ended March 31, 2013 from November 29, 2012 onward. The discussion of financial results in this section of the annual report includes 12 months of operations for the subsidiary CLC, and 4 months of operations for the subsidiaries PDP and OPMC.

The following MD&A for CLCL should be read in conjunction with the company's March 31, 2013 audited consolidated financial statements and notes, as set out in CLCL's 2012–2013 Annual Report.

NATURE OF THE BUSINESS

CLCL operates within two principal segments: 1) Real Estate, through CLC and PDP, and 2) Hospitality and Tourism, through Canada's National Tower (the CN Tower) and OPMC.

CLCL, through CLC and PDP, carries out CLCL's core real estate business in all regions of Canada. CLCL carries out its policy mandate "to ensure the commercially oriented, orderly disposition of selected surplus federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties." This mandate was approved by the Government of Canada (the government) on reactivation in 1995. CLCL optimizes the financial and community value of strategic properties no longer required for program purposes by the government. Through CLC and PDP, it works to purchase properties at fair market value, then holds and manages or improves and sells them, in order to produce the best possible benefit for both local communities and the company's sole shareholder, the Government of Canada. CLC conducts its hospitality and tourism operations through Canada's National Tower (CN Tower) and OPMC.

CLC holds real estate across the country in various provinces and in various stages of development, with significant holdings in Chilliwack, BC, Calgary and Edmonton, AB, Ottawa, ON, Montréal, QC, and St. John's, NL.

On November 29, 2012, CLCL was granted the power to determine PDP and OPMC's strategic operating, investing and financing policies. CLCL accounted for the business combinations of OPMC and PDP using the prospective predecessor values method. Effective November 29, 2012, OPMC and PDP were combined with CLCL. The assets, liabilities and net equity resulting from that combination (the transaction) are outlined in Table 1.

TABLE 1

Identifiable assets acquired and liabilities assumed – November 29, 2012 As stated under IFRS	OPMC	PDP	Total
Cash and cash equivalents	$ 14.2	$ 4.7	**$ 18.9**
Trade receivables and other	2.0	3.6	**5.6**
Property, plant and equipment	–	65.0	**65.0**
Inventory	–	9.8	**9.8**
Investment property	–	5.3	**5.3**
Deferred income tax recoverable	6.0	59.4	**65.4**
Credit facility	–	(79.0)	**(79.0)**
Trade and other payables	(4.0)	(9.3)	**(13.3)**
Deferred revenue	(3.4)	(8.0)	**(11.4)**
Notes payable	–	(19.0)	**(19.0)**
Provisions	–	(1.3)	**(1.3)**
Government funding and appropriations	(8.7)	–	**(8.7)**
Prepaid rent, deposits and others	(0.6)	(0.6)	**(1.2)**
Contributed Surplus	$ 5.5	$ 30.6	**$ 36.1**

The operations of PDP and OPMC from November 29, 2012 to March 31, 2013 are consolidated in the financial data contained within the MD&A (see Table 2 below) and audited consolidated financial statements and notes.

TABLE 2

For the period from November 29, 2012 to March 31, 2013	OPMC	PDP	Total
Revenues			
Attractions, food, beverage and other hospitality revenues	$ 1.8	$ 2.9	**$ 4.7**
Rental operations	1.5	2.7	**4.2**
Government funding and appropriations	8.2	–	**8.2**
Interest and other	1.5	–	**1.5**
	13.0	5.6	**18.6**
Expenses			
Attractions, food, beverage and other hospitality expenses	2.9	3.0	**5.9**
Rental operating costs	1.3	4.9	**6.2**
General and administrative	8.1	1.7	**9.8**
Interest and other expenses	–	0.5	**0.5**
	12.3	10.1	**22.4**
Income (Loss) Before Income Taxes	$ 0.7	$ (4.5)	**$ (3.8)**

Notes 4 and 5 of the audited consolidated financial statements provide additional information on the business combinations.

PDP is 572 acres (231.5 hectares) of land at the former Canadian Forces Base (CFB) Toronto, located in Toronto, Ontario. A portion of the land is used for park, cultural and recreational purposes, including the national park. In addition to creating a unique national park on the lands, development includes five integrated neighbourhoods with a full range of land uses to create a model of progressive sustainable urban development.

OPMC is located in Montréal along the St. Lawrence River. Its core business includes managing, developing and hosting activities on an urban recreational, tourist and cultural site. OPMC also owns and operates the Montréal Science Centre.

CLC Discontinued Operations

On September 14, 2011, CLC sold the Metro Toronto Convention Centre Complex (MTCCC) properties that included the InterContinental Hotel, Metro Toronto Convention Centre (MTCC), the office tower at 277 Front Street West, and a 1,200-stall parking garage. The InterContinental Hotel was considered discontinued operations, and the remaining MTCCC properties were included in continuing operations. On the sale of the InterContinental Hotel, CLC booked a sale of $121.2, and realized a gain of $34.3 before income taxes. On the sale of the remainder of the MTCCC, CLC booked a sale of $116.2, and realized a gain of $61.4 before income taxes. For the purposes of comparability between the current period and prior period results, where applicable, the MTCCC operations and any resulting gains from the sale have been excluded from the results.

BALANCED SCORECARD

CLC employs a balanced scorecard approach to organizational performance management. In light of the 2012 amalgamation, the company will undertake a complete review and analysis of its scorecard to ensure that this measurement tool effectively captures and reports on all of CLCL's operations and assets in an appropriate manner.

CLC's current balanced scorecard contains 33 financial and non-financial organizational performance targets measured by 69 metrics. Each target pertains to one of six key objective areas: engaging communities, developing sustainably, valuing people, managing the environment, contributing to society, and strengthening business operations. The scorecard is featured in its own section of this annual report.

GOVERNANCE

CLCL continues to provide bare certification of the audited consolidated financial statements by its Acting President and Chief Executive Officer and its Chief Financial Officer and Vice President, Administration. Due to the additional expense and resources involved, CLCL has not proceeded further with certification. CLCL will closely monitor developments in this area and assess how it can proceed.

CLCL's Board of Directors is composed of the Chairman and six directors. The Chairman and the directors are independent of management and are appointed by the Governor in Council. A new Chairman was appointed in June 2010. The board held eight meetings and six conference calls during the year. The compensation for the Chairman and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairman and $4,500 for directors, as well as a per diem rate of $375 for both the Chairman and directors and $250 for teleconference meetings.

The board's expenses for the year ended March 31, 2013 (fiscal 2013), including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.5 (fiscal 2012 – $0.5), which is unchanged from the prior year.

The board and senior management expenses are posted on CLC's website, www.clc.ca

OBJECTIVES AND STRATEGIES

The company's goal in all transactions is to produce the best possible benefit for both local communities and the Government.

Real Estate

The company optimizes the financial and community value from strategic properties that are no longer required by the Government. It purchases these properties at fair market value, then holds and manages them or improves and sells them.

The company purchases surplus strategic government property and follows a rigorous process to create strong, vibrant communities that add lasting value for future generations of Canadians. In all the work the company undertakes, it is always mindful of its organizational motto of Innovation, Value and Legacy.

Hospitality and Tourism

Through the CN Tower and OPMC, the company provides world-class entertainment and a wide range of unique attractions, exhibits and food and beverage. The company also manages, develops and holds activities and events on urban recreational, tourist and cultural sites, and maintains the lands, buildings, equipment and facilities on those sites, including the Montréal Science Centre.

RESOURCES, RISKS AND RELATIONSHIPS

Results

Set out below is a summary of the various components of the company's Consolidated Statement of Comprehensive Income. Discussion of the significant changes in each of these components for the year ended March 31, 2013 compared to the prior year is provided on the following pages.

Year ended March 31	2013*	2012**
Real estate sales	**$ 118.2**	$ 61.9
Attractions, food, beverage and other	**65.8**	57.4
Rental operations	**26.4**	27.3
Interest and other	**5.6**	3.7
Government funding and appropriations	**8.2**	–
Total Revenues	**$ 224.2**	$ 150.3
General and administrative expenses	**26.8**	18.8
Income before taxes	**62.3**	79.2
Income from continuing operations	**48.6**	56.2
Income from discontinued operations (net of tax)	**–**	24.6
Comprehensive income (after tax)	**48.6**	81.1

* Includes 12 months of CLC operations, and 4 months of OPMC and PDP operations. See Table 1 for details.

** Gain on sale of the investment property of $61.4 was excluded from the total revenues. The gain has been included in income results (income/loss before taxes, income/loss before continuing operations and Comprehensive income/loss) as the income tax expense has not been segregated between the types of continuing operations. The cash flow from the sale and discontinued operations has also been excluded, where appropriate.

Revenue

Revenue of $224.2 for the year was $73.9 ahead of last year, excluding the gain on sale of the MTCCC of $61.4.

Revenues comprised five principal sources:

1) **Real estate sales**

Real estate sales of $118.2 for the year comprised principally sales of property developed as building lots and sold to builders of single family homes, apartments and condominiums, and undeveloped land that was sold. The current year sales were $56.3 higher than the prior year. The nature of the company's business does not allow for a consistent year over year volume of sales. Revenue is comprised of sales in specific projects across Canada as the individual marketplaces dictate.

Real estate sales by province were as follows:

Year ended March 31	2013	2012
West	**$ 44.9**	$ 57.2
Ontario	**69.2**	–
Québec	**2.2**	–
Atlantic	**1.9**	4.7
Total	**$ 118.2**	$ 61.9

Real estate sales for the year generated gross profit, excluding general and administrative expenses and income tax, of $64.7 or 54.7%, compared with $17.8 or 28.7% in the prior year. The higher gross margin for the year was generated by favourable sales mix based on the projects sold. Margins vary widely from project to project and are influenced by many factors, including market demand in the project's location, the proximity of competing developments, the mix of real estate types within the project, the cost of land, and the length of time for a project to be sold. The higher gross margins compared to the prior year are also partially a result of higher real estate sales volume.

2) Attractions, food, beverage and other

Attractions, food, beverage and other represent revenue from the CN Tower operations, including admissions, restaurants and related attractions, and OPMC and PDP operations, including sports facilities, parking, concessions, programming, events/corporate rentals, and other hospitality revenues.

CN Tower

CN Tower revenue of $61.2 for the year is $3.7 higher than the prior year. Gross profit of $20.8 for the year is $2.9 higher than the prior year.

The major driver for the increased revenues and gross profit is attendance. Attendance during the year was 1.465 million visitors, a 1.4% improvement from the prior year. The success in the year was partially a result of a full year of operation of the EdgeWalk attraction launched during August 2011, which has generated renewed interest in the CN Tower, along with the introduction of new General Admission pricing in December 2012. The average guest spending of $40.32 per visitor was $2.77 per visitor or 7.4% higher than the prior year, reflecting the success of the EdgeWalk attraction and favourable impact of the new General Admission pricing.

OPMC

For the period from November 29, 2012 to March 31, 2013, OPMC generated $1.8 of revenue from its parking, concessions, programming and events.

PDP

For the period from November 29, 2012 to March 31, 2013, PDP generated $2.9 of revenue from its restaurant operations, sports facilities, programs and events.

3) Rental operations

Rental comprises revenue from commercial, industrial and residential properties held as investments, as well as properties located on lands held for future development across the country. Rental revenue was $26.4 during the year, which was generated by properties in inventory in various stages of development. Rental revenue decreased by $0.9 for the year compared to the previous year. The unfavourable comparison to the prior year is attributable principally to the sale of the office tower located at 277 Front Street West and the adjoining MTCCC properties during September 2011. These properties generated rental revenue of $6.3 last year up until the date of their disposition.

Rental revenue by province was as follows:

Year ended March 31	2013	2012
West	**$ 16.1**	$ 15.4
Ontario	**6.5**	9.3
Québec	**1.6**	0.1
Atlantic	**2.2**	2.5
Total	**$ 26.4**	$ 27.3

Rental gross profit for the year of $2.5 was $3.4 lower than the prior year. The year over year net decrease was a result of the sale of the profitable MTCCC properties in the prior year and increases in payment in lieu of tax (PILT) provisions on rental properties at PDP, which were partially offset by overall stronger returns on rental properties on average at CLC compared to the prior year.

4) Interest and other revenue

Interest and other revenue of $5.5 for the year is comprised principally of interest on short-term investments and cash and cash equivalents, and donation and sponsorship revenues from OPMC. Lower interest rates this year were more than offset by higher investment balances. Included within other revenues is approximately $1.2 of sponsorships and donations.

5) Government funding and appropriations

During the period from November 29, 2012 to March 31, 2013, OPMC recognized $8.2 of revenues from government operating funding and appropriations.

Other

General and administrative expenses

General and administrative (G&A) expenses of $26.8 for the year were higher than in the prior year by $8.0. Included within the G&A expenses were $8.1 from OPMC and $1.7 from PDP for the period from November 29, 2012 to March 31, 2013. Excluding the impact of OPMC and PDP, CLC G&A expenses were below the prior year by $1.8.

The company undertook a strategic and operational review during fiscal 2012. Recommendations were implemented in November 2011, resulting in reduction of staff, principally in Senior Management positions. This resulted in a $4.0 restructuring charge in Q3 2011–2012. Creation of shared services within the Finance, IT and Human Resources departments of Real Estate and CN Tower resulted in staff reductions and improved efficiencies. The results of these implemented cost savings measures have been realized in the current year, and will continue to be realized in the next fiscal year.

In conjunction with CLCL being granted the responsibility for PDP and OPMC during the current year, the operations were streamlined in an effort to reduce administrative overhead and leverage synergies between the entities. Operational changes resulted in a restructuring charge of $1.1 in the current year.

Taxes

OPMC and PDP became taxable entities on November 29, 2012. This resulted in an opening deferred tax asset of $6.0 and $59.4, respectively (see "Deferred tax asset" section below). The consolidated effective tax rate of 21.8% is lower than the domestic tax rates due to favourable reversing deferred tax assets.

FINANCIAL POSITION

Assets

At March 31, 2013 and March 31, 2012, the total carrying value of assets was $654.1 and $491.3, respectively. The following is a summary of the company's assets:

March 31	2013	2012
Inventory	**$ 224.7**	$ 232.0
Investment properties	**13.2**	2.5
Property, plant and equipment	**167.3**	96.2
Cash and cash equivalents	**136.9**	57.4
Short-term investments	**–**	70.8
Deferred tax asset recoverable	**74.1**	4.7
Trade and other assets	**37.9**	27.7
Total	**$ 654.1**	$ 491.3

Inventory

The company's inventory is comprised of properties held for future development of $24.8 (March 31, 2012 – $30.4), properties under development of $195.5 (March 31, 2012 – $165.1) and properties held for sale of $4.4 (March 31, 2012 – $36.5). Inventory is recorded at the lower of cost and net realizable value. During the year, the company spent $42.7 on these properties compared with $28.6 during the prior year. Fluctuations in the spending on inventories vary year over year based on required and planned expenditures on those properties to prepare the properties for sale.

Investment properties

Investment properties are comprised largely of land on which the Rogers Centre is built and surrounding the CN Tower Base, along with certain properties at PDP and OPMC.

Property, plant and equipment

The corporation's property, plant and equipment consist mainly of the CN Tower, the national park, the Sports Hangar, the Plaza Garage, the John Street Parkette, the Montreal Science Centre, the OPMC office building, vehicles, exhibitions, and computers and office equipment. Capital expenditures are made to property, plant and equipment to maintain and enhance the high quality of the infrastructure. During the year, capital additions were $18.6 compared with $13.8 during the prior year.

There were non-cash depreciation charges against property, plant and equipment of $9.1 during the year compared with $11.6 during the prior year. These expenditures exclude repairs and maintenance costs. Fluctuations in capital expenditures vary year over year based on required and planned expenditures on property, plant and equipment.

Cash and cash equivalents

The company continues to maintain high levels of liquidity, which will allow it to react to future potential opportunities that may require significant amounts of cash. At March 31, 2013, cash and cash equivalents balances held in a major Canadian chartered bank were $136.9, compared to $57.4 at March 31, 2012. A dividend of $80 was declared by the Board to be paid upon approval of the company's Corporate Plan during the 2013–2014 fiscal year.

Short-term investments

There were no short-term investments at March 31, 2013 (March 31, 2012 – $70.8).

Deferred tax asset

The deferred tax asset amount of $74.1 is primarily due to the temporary differences in PDP between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax asset is expected to be realized upon the sale of development lands in future years.

Trade and other assets

Trade and other assets include rent and other receivables, prepaid assets, a long-term receivable and CN Tower inventory.

Liabilities and Shareholder's Equity

The company's assets are financed with a combination of debt and equity. The components of liabilities and equity are as follows:

March 31	2013	2012
Credit facilities	**$ 41.5**	$ –
Mortgage bond payable	**5.9**	11.4
Notes payable	**74.6**	54.5
Trade and other payables	**28.3**	12.5
Prepaid rents, deposits and others	**7.5**	6.5
Deferred revenue	**11.5**	–
Other liabilities	**28.4**	14.7
Total liabilities	**$ 197.7**	$ 99.6
Contributed surplus	**181.2**	145.1
Retained earnings	**275.2**	246.6
	456.4	391.7
Total liabilities and shareholder's equity	**$ 654.1**	$ 491.3

Credit facilities

The company currently has two credit facilities.

PDP has borrowing authority from the Minister of Finance for $90 until September 2013. PDP has an unsecured demand revolving credit facility for $90, bearing interest at prime plus 65 basis points, of which PDP has used $41.5 at March 31, 2013. The proceeds from the credit facility have been used to finance the construction and development of Downsview Park projects.

CLC has borrowing authority from the Minister of Finance for $50 until September 2013. CLC has a senior, unsecured revolving credit facility in the amount of $50. The credit facility can be used by way of loans, bankers' acceptances and letters of credit. The interest rates vary from 65 basis points on letters of credit to prime on loan drawings. CLC has utilized $25 at March 31, 2013 as collateral for letters of credit outstanding. The outstanding letters of credit bear interest at rates between 65 basis points and 300 basis points.

Mortgage payable

The mortgage payable is secured by the CN Tower. The mortgage has semi-annual principal and interest payments at a fixed rate of 5.37%, and matures in January 2014. The mortgage has an annual effective interest rate of 5.89%. During the year, $5.5 of principal was repaid compared with $5.3 during the prior year.

Notes payable

Notes payable are issued in consideration for the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates from 2013 to 2050 or the dates on which net proceeds become available from the sale by the company of the properties in respect of which the notes were issued. All notes are non-interest bearing. During the year, there have been no new notes issued. During the year, $2.3 of the notes was repaid from net proceeds from properties. Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2014	$ 8.4
	2015	0.4
	2016	3.9
	2017	8.2
	2018	5.8
Subsequent years		63.5
Subtotal		$ 90.2
Less: amounts representing imputed interest		15.6
		$ 74.6

Trade and other payables

Trade and other payables increased from the prior year as a result of the consolidation of OPMC's and PDP's trade and other payables, which were $6.5 and $7.2, respectively. All trade and other payables are trade payables and accrued liabilities incurred in the normal course of operations.

Deferred revenue

Deferred revenue represents revenue from rental/leasing, programs and events, and development and other income which has not been earned by the company yet. The deferred revenue amount is related to PDP and OPMC.

Other liabilities

Other liabilities include provisions, government funding and appropriations, prepaid rent, deposits and other, and income taxes.

CAPITAL RESOURCES AND LIQUIDITY

The company's principal liquidity needs, which include those of its subsidiaries, over the next twelve months are to:

- fund recurring expenses;
- meet mortgage payable requirements;
- manage current credit facilities;
- fund the continuing development of its inventory and investment properties;
- fund capital requirements to maintain and enhance its property, plant and equipment;
- fund investing activities, which may include:
  - property acquisitions;
  - note repayments;
  - discretionary capital expenditures; and
- make distributions to its sole shareholder.

The company believes that its liquidity needs will be satisfied using cash and cash equivalents on hand, available unused credit facilities, and cash flows generated from operating and financing activities.

Beyond twelve months, the company's principal liquidity needs, including those of its subsidiaries, are scheduled debt maturities, credit facility repayments, recurring and non-recurring capital expenditures, development costs, and potential property acquisitions. The company plans to meet these needs through one or more of the following:

- cash flow from operations;
- proceeds from sale of assets; and
- credit facilities and refinancing opportunities.

At March 31, 2013, the company had approximately $78.9 of cash on hand, and $58 of cash equivalents maturing in one month and deposit certificates redeemable at any time.

RISKS

The company's financial results are affected by the performance of its operations and various external factors influencing the specific sectors and geographic locations in which it operates, as well as macroeconomic factors such as economic growth, inflation, interest rates, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

The following is a review of the material factors and the potential impact these factors may have on the company's business operations.

General Macroeconomic Risks

The Canadian economy is expected to grow by 2.0% and 2.7% in 2013 and 2014, respectively, according to a forecast by the Bank of Canada. The Bank of Canada expects growth in Canada to pick up through 2013, supported by modest growth in household spending, combined with a recovery in exports and solid business investment as foreign demand strengthens, uncertainty diminishes and the temporary factors that have weighed on resource sector activity are unwound. Residential investment is expected to decline further from historically high levels. The Bank of Canada is anticipated to hold interest rates at 1% for the remainder of 2013 and into the middle of 2014, and increase rates slightly from 1% in the second half of 2014 according to forecasts by several major Canadian financial institutions.

Real Estate Sector Related Risks

Real estate is generally subject to risk given its nature, with each property being subject to risks depending on its specific nature and location. Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges, must be made regardless of the economic conditions surrounding the property. During the year, a write-down of $5.1 was recorded on a Chilliwack project in British Columbia, a write-down of $1.6 was recorded on an Ottawa project in Ontario, a write-down of $1.1 was recorded on a Montréal project in Québec, and a write-down of $1.2 was recorded on the Franklin Crossing project in Moncton, New Brunswick, based on the current market conditions and management's current assumptions and strategies. The long anticipated slowdown in the Canadian housing market is underway. Prices are levelling out, with the return of balanced market conditions. There is expected to be a continued softening of the market in 2013, but ultra-low interest rates will continue to provide support.

Hospitality and Tourism Sector Related Risks

The CN Tower's and OPMC's operations have been directly linked to the performance of the tourism sector in Toronto and Montréal, respectively. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions. Recognizing and acting upon the potential of both attracting a higher percentage of Toronto's tourists and focusing less on seasonal corporate business will further enhance the performance of the CN Tower's business development initiatives. The CN Tower's newest attraction, EdgeWalk, opened to overwhelming enthusiasm from the public and has exceeded attendance and revenue expectations, which should add to the Tower's future business performance.

At OPMC, the number of visitors is a significant factor in its results. Other factors include the local and global economy, weather conditions, travel costs, and international tourism trends. OPMC mitigates these risks by actively managing and adjusting its advertising spend, and creating new attractions and events, along with focusing on existing major events to increase the total number of visitors.

Interest Rate and Financing Risks

The company believes it has effectively managed its interest rate risk. The mortgage payable has a rate of interest fixed at 5.37%, and will be fully repaid in January 2014. The company's notes payable are non-interest bearing, and repayable on the earlier of their due dates between 2013 and 2050 or the dates on which net proceeds become available from the sale by the company of the properties in respect of which the notes were issued. The company believes that these financing instruments adequately mitigate its exposure to interest rate fluctuations. The company believes that the repayment terms of its notes, in conjunction with management's estimated cash flows from projects, will adequately provide it with proceeds to discharge the notes on their due dates at a minimum.

Credit Risk

Credit risk arises from the possibility that tenants and purchasers may experience financial difficulty and be unable to pay the amounts owing under their commitments.

The company has attempted to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and doing credit assessments in respect of new leases and credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations.

The company's trade receivables are comprised almost exclusively of current balances owing. The company continues to monitor receivables frequently, and where necessary, establish an appropriate provision for doubtful accounts. At March 31, 2013, the balance of rent and other receivables was $18.6 (March 31, 2012 – $7.1).

The company has long-term receivables of $12.6 (March 31, 2012 – $13.4) arising from the sale of properties. The entire amount of $12.6 (March 31, 2012 – $13.3) is covered by collateral mortgages. The company also has an assignment of rents with a balance of $0.3 (March 31, 2012 – $1.3), guaranteed by the lessee.

Environmental Risks

As the owner of real property, the company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the company could be liable for the costs of removing certain hazardous substances and remediating certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the company's ability to sell such real estate. The company is not aware of any material non-compliance with environmental laws at any of its properties, nor is it aware of any pending or threatening investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatening claims related to environmental conditions at its properties.

PDP has performed site surveys for its buildings to determine if they require remediation. Based on the results of those surveys, an estimate for the obligations to remediate these buildings was made as an asset retirement obligation provision. The obligation is expected to be settled between 2013 and 2025, and its present value was determined to be $1.3.

OPMC operates certain structures under operating leases with the Port of Montréal. The leases contain a clause which stipulates that, upon expiry of the lease, the owner will retake control of these structures without providing compensation for any additions or modifications made by OPMC to the initial structures, provided that the owner considers them to be in satisfactory condition. To date, all changes made to the structures by OPMC have met the owner's requirements.

The company will continue to make the necessary capital and operating expenditures to ensure that it is compliant with environmental laws and regulations.

Guarantees and Contingent Liabilities

The company may be contingently liable with respect to litigation and claims that arise in the normal course of business. The company's holdings and potential acquisition of properties from the government are impacted by Aboriginal land claims. The company continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to the company. Disclosure of commitments and contingencies can be found in notes 17 and 18 of the consolidated financial statements for the year ended March 31, 2013.

Related Parties

The company is wholly owned by the Government of Canada and is under common control with other governmental agencies and departments, and Crown corporations. The company enters into transactions with these entities in the normal course of business.

Significant transactions with related parties during the year were as follows:

Year ended March 31	2013	2012
Rental, leasing and other revenues	**$ 4.1**	$ 9.0
Expense incurred for various services received	**2.4**	–
Repayment of loans payable	**2.3**	17.4
Government funding and appropriations revenue	**8.2**	–

The consolidated statements of financial position include the following balances with related parties:

Year ended March 31	2013	2012
Net trade and other receivables from federal agencies and departments, excluding Government funding and appropriations payable	**$ 1.5**	$ 1.3
Government funding and appropriations payable	**3.5**	–
Notes payable	**74.7**	54.5

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the financial condition and financial performance of the company is based on the consolidated financial statements, which are prepared in accordance with IFRS. The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses for the periods of the consolidated financial statements. Judgments, estimates and assumptions are evaluated on an ongoing basis. Estimates are based on historical experience and other assumptions that management believes are reasonable and appropriate in the circumstances. Actual results could differ materially from those assumptions and estimates.

Management believes the most critical accounting estimates are as follows:

i. Inventories

In determining estimates of net realizable values for its properties, the company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not necessarily result in a precise determination of asset value.

In arriving at such estimates of net realizable value of the properties, management is required to make assumptions and estimates as to future costs which could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property, and as new information becomes available.

The company produces a yearly Corporate Plan that includes a proforma analysis of the projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales recorded. This proforma analysis is reviewed periodically, and when events or circumstances change, and updated to reflect current information.

ii. Investment Properties

For disclosure purposes, management's internal assessments of fair values of investment properties as at March 31, 2013 are based upon internal financial information and are corroborated by capitalization rates obtained from independent sources. These estimates are subject to significant judgments and assumptions about market conditions in effect as at the reporting date.

iii. Financial Instruments

Where the fair values of financial assets and financial liabilities as disclosed in the notes to the audited consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value.

iv. Significant Components and Useful Lives

The useful lives and residual values of the company's assets are determined by management at the time an asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. Management also makes judgments in determining significant components. A component or part of an item of property, plant and equipment and investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the company identifies parts that have varying useful lives or consumption patterns.

v. Interest Rate on Notes Payable to the Government

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the company of the properties in respect of which the notes were issued. The repayment schedule is also based on an estimated time period. The notes are non-interest bearing. The non-interest bearing notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate.

vi. Impairments and Write-downs

Management reviews assets annually, as part of the corporate planning process, and when events or circumstances change.

For inventories, a write-down is recorded when the net realizable value of anticipated net sales revenue is less than the sum of the book value of the property and its anticipated costs to complete.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on analysis of cash-generating units as described in note 2h) and are recorded if the recoverable amount of the property is less than the book value.

vii. OPMC Conforming Accounting Standards from PSAS to IFRS

For transition purposes for OPMC from PSAS to IFRS, management made a number of significant estimates and assumptions to determine the identifiable assets acquired and liabilities assumed at November 29, 2012, and align those identified assets and liabilities to the corporation's accounting policies.

Cash Flows

Cash provided by operating and investing activities totalled $141.8 for the year. For the year, the company was able to fund all operating and capital requirements from its cash reserves, including repayment of $2.3 of outstanding notes to the Federal Government, the repayment of PDP credit facilities of $40, and dividends to the Federal Government of $20.

PROSPECTS

During the year, through the business combination, CLCL acquired PDP and OPMC. The effective control of PDP by CLCL contributed approximately 231.5 hectares (572 acres) of mixed use real estate in the Greater Toronto Area. OPMC manages, develops and holds activities on an urban recreational, tourist and cultural site, along with operating the Quays and Montréal Science Centre, all located in Montréal. During the year, no other significant new properties were acquired. The company has a land bank of approximately 654 hectares (1,600 acres) at March 31, 2013.

The company is currently in negotiations with government departments and agencies regarding a further acquisition of 2,162 acres (875 hectares). As many of the individual properties potentially available for acquisition are substantial in size, up to 1,620 acres (656 hectares), planning, development and reintegration of these properties into local communities will take place over a number of years. Although the company is vulnerable to adverse changes in local real estate market conditions which can affect demand, it is also able to wait for improvement in local real estate markets, as it has other properties for sale across Canada.

The company's major residential developments are in Ontario, Alberta and British Columbia, where it is redeveloping the former CFB Toronto, CFB Calgary, CFB Griesbach and CFB Chilliwack and where the residential markets continue to show strength. In two of these projects, the company has interim rental operations which between them generate revenue in excess of any holding costs. In St. John's, Newfoundland and Labrador, the company is in the midst of development of Pleasantville on the site of a former military base.

The company's recent sales activities demonstrate that there is ongoing demand for its land holdings and it can continue to create significant benefits and/or value from its property portfolio, which is diverse as to location, value, size and current or potential uses.

The company has projected income before tax of $350 for the five years ending March 31, 2018 and is expected to continue to be financially self-supporting and provide a reliable dividend stream for the Government of Canada.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Canada Lands Company Limited (the corporation) have been prepared by management of the corporation in accordance with International Financial Reporting Standards.

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the corporation's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information, and to ensure that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, and the articles and by-laws of the corporation.

Based on our knowledge, these consolidated financial statements present fairly, in all material respects, the corporation's financial position as at March 31, 2013 and March 31, 2012 and its financial performance and cash flows for the years ended March 31, 2013 and 2012.

Where necessary, management uses judgment to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors of Canada Lands Company Limited is composed of seven directors, none of whom are employees of the corporation. The Board of Directors has the responsibility to review the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. An Audit Committee appointed by the Board of Directors of the corporation has reviewed these consolidated financial statements with management, and has reported to the Board of Directors. The Board of Directors has approved the consolidated financial statements.

All other financial and operating data included in the report are consistent, where appropriate, with information contained in the consolidated financial statements.

Robert Howald
Acting President and
Chief Executive Officer

Jurgen Dirks
Chief Financial Officer and
Vice President Administration

Toronto, Canada
June 28, 2013

Declaration

We, Robert Howald, Acting President and Chief Executive Officer, and Jurgen Dirks, Chief Financial Officer and Vice President Administration, certify that:

We have reviewed the consolidated financial statements of Canada Lands Company Limited for the year ended March 31, 2013.

Based on our knowledge, the consolidated financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the fiscal period covered by this report; and

Based on our knowledge, the consolidated financial statements together with the other financial information included in this report fairly present in all material respects the financial position, financial performance and cash flows of Canada Lands Company Limited, as of the date and for the periods presented in this report.

Robert Howald
Acting President and
Chief Executive Officer

Jurgen Dirks
Chief Financial Officer and
Vice President Administration

Toronto, Canada
June 28, 2013

Auditor's Report

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works and Government Services

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Lands Company Limited, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Lands Company Limited as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

I draw attention to Note 5 to the consolidated financial statements, which describes the conforming adjustment from Canadian public sector accounting standards to International Financial Reporting Standards for the Old Port of Montréal Corporation Inc.'s property, plant and equipment. My opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Lands Company Limited and its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of Canada Lands Company Limited and its wholly-owned subsidiaries.

Sylvain Ricard, CPA, CA
Assistant Auditor General
for the Auditor General of Canada

28 June 2013
Ottawa, Canada

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2013	2012
REVENUES			
Real estate sales		**$ 118,250**	$ 61,879
Attractions, food, beverage and other		**65,838**	57,442
Rental operations		**26,357**	27,279
Gain on sale of investment property		**–**	61,441
Interest and other		**5,543**	3,712
Government funding and appropriations		**8,174**	–
		224,162	211,753
EXPENSES			
Real estate cost of sales		**53,548**	44,095
Attractions, food, beverage and other		**46,251**	39,501
Rental operating costs		**23,863**	21,408
General and administrative		**26,807**	18,841
Impairment, pre-acquisition costs and write-downs	9	**9,251**	1,156
Interest and other expenses		**1,133**	3,510
Other expenses			
Restructuring cost		**1,051**	4,000
	20	**161,904**	132,511
INCOME BEFORE INCOME TAXES		**$ 62,258**	$ 79,242
Deferred income tax recovery	23	**(3,604)**	(11,664)
Current income tax expense	23	**17,289**	34,744
		13,685	23,080
INCOME FROM CONTINUING OPERATIONS		**48,573**	56,162
INCOME FROM DISCONTINUED OPERATIONS	6	**–**	24,633
NET INCOME		**$ 48,573**	$ 80,795
Other comprehensive income			
Change in fair value of cash flow hedge, net of income tax		**–**	(574)
Net change in fair value of hedge transferred to net income, net of income tax		**–**	896
		–	322
COMPREHENSIVE INCOME		**$ 48,573**	$ 81,117

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

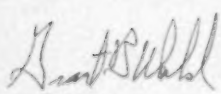
Expressed in thousands of Canadian dollars	Note	2013	2012
ASSETS			
Non-Current			
Investment properties	8	**$ 13,195**	$ 2,452
Inventories	9	**24,834**	30,410
Property, plant and equipment	7	**167,333**	96,166
Trade and other receivables	13	**6,497**	877
Long-term receivables	10	**9,786**	10,964
Deferred income tax recoverable	23	**74,123**	4,675
		295,768	145,544
Current			
Inventories	9	**199,825**	201,602
Cash and cash equivalents	11	**136,882**	57,428
Short-term investments	12	**–**	70,772
Trade and other receivables	13	**18,436**	8,353
Current portion of long-term receivables	10	**3,169**	4,442
Current income tax recoverable and other tax assets		**–**	3,117
		358,312	345,714
		$ 654,080	$ 491,258

Expressed in thousands of Canadian dollars	Note	2013	2012
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Non-Current			
Mortgage bond payable	14	**$ –**	$ 5,826
Notes payable	16	**66,275**	50,013
Deferred revenue		**625**	–
Trade and other payables	17	**993**	25
Provisions	18	**4,724**	–
Prepaid rent, deposits and others		**384**	–
Deferred taxes	23	**6,705**	6,270
Deposits and others		**3,454**	–
		83,160	62,134
Current			
Credit facilities	15	**41,500**	–
Current portion of mortgage bond payable	14	**5,875**	5,593
Current portion of notes payable	16	**8,370**	4,500
Trade and other payables	17	**27,339**	12,493
Provisions	18	**8,912**	7,036
Government funding and appropriations	19	**3,486**	–
Deferred revenue		**10,878**	–
Income taxes payable		**4,624**	1,336
Prepaid rent, deposits and others		**3,621**	6,513
		114,605	37,471
SHAREHOLDER'S EQUITY			
Capital stock		**–**	–
Contributed surplus	21	**181,170**	145,081
Retained earnings	21	**275,145**	246,572
		456,315	391,653
		$ 654,080	$ 491,258

Contingencies and commitments	17, 18
Operating leases	22

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board



Grant B. Walsh

Wayne MacIntosh

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended March 31

Expressed in thousands of Canadian dollars	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholder's Equity
Beginning balance, April 1, 2011	$ –	$ 145,081	$ (322)	$ 186,577	$ 331,336
Change during the year					
Net income for the year	–	–	–	80,795	80,795
Dividend paid	–	–	–	(20,800)	(20,800)
Change in fair value of cash flow hedge, net of income tax	–	–	(574)	–	(574)
Net change in fair value of hedge transferred to net income, net of income tax	–	–	896	–	896
Ending balance, March 31, 2012	$ –	$ 145,081	$ –	$ 246,572	$ 391,653
Beginning balance, April 1, 2012	**$ –**	**$ 145,081**	**$ –**	**$ 246,572**	**$ 391,653**
Change during the year					
Business combination under common control (note 4)	**–**	**36,089**	**–**	**–**	**36,089**
Net income for the year	**–**	**–**	**–**	**48,573**	**48,573**
Dividend paid	**–**	**–**	**–**	**(20,000)**	**(20,000)**
Ending balance, March 31, 2013	**$ –**	**$ 181,170**	**$ –**	**$ 275,145**	**$ 456,315**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

Expressed in thousands of Canadian dollars	Note	2013	2012
OPERATING ACTIVITIES			
Net income		**$ 48,573**	$ 80,795
Gain on sale of investment property		**–**	(61,441)
Loss (gain) on sale of property, plant and equipment		**45**	(34,324)
Interest paid		**(976)**	(2,678)
Income tax recovered (paid)		**(10,873)**	(42,502)
Recovery of costs on sales of real estate		**53,548**	43,383
Expenditures on inventory		**(42,728)**	(28,609)
Impairment, pre-acquisition costs and write-downs		**9,251**	1,156
Deferred income taxes recovery		**1,604**	9,786
Depreciation and amortization		**9,076**	11,619
		69,520	(22,815)
Net change in non-cash working capital		**2,330**	(31,975)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**71,849**	(54,790)
FINANCING ACTIVITIES			
Repayment of notes payable		**(2,270)**	(17,442)
Repayment of mortgage bonds payable		**(5,544)**	(5,304)
Dividend paid		**(20,000)**	(20,800)
Proceeds from credit facilities		**2,500**	–
Repayment of credit facilities		**(40,000)**	–
Repayment of term loans		**–**	(94,372)
CASH USED IN FINANCING ACTIVITIES		**(65,314)**	(137,918)
INVESTING ACTIVITIES			
Cash received from business combination	4	**18,932**	–
Interest received		**1,551**	1,363
Expenditures on investment properties		**(2,421)**	(3,748)
Expenditures on property, plant and equipment		**(18,587)**	(13,778)
Government funding and appropriations related to capital expenditures		**2,665**	–
Decrease (increase) in short-term investments		**70,772**	–
Decrease in restricted cash		**7**	–
Proceeds from sale of property, plant and equipment		**–**	121,163
Proceeds from sale of investment properties		**–**	116,237
CASH PROVIDED BY INVESTING ACTIVITIES		**72,919**	221,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**79,454**	28,529
Cash and cash equivalents, beginning of year		**57,428**	28,899
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 136,882**	$ 57,428

Supplemental cash flows information	4, 24

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended March 31, 2013
(expressed in thousands of Canadian dollars, unless otherwise stated)

1 AUTHORITY AND ACTIVITIES OF CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). The Government of Canada is CLCL's ultimate controlling parent. Originally named Public Works Lands Company Limited, CLCL was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown Corporation in Part I of Schedule III to the *Financial Administration Act*.

CLCL is the parent company of Canada Lands Company CLC Limited (CLC), and holds the shares of Parc Downsview Park (PDP) and the Old Port of Montréal Corporation Inc. (OPMC) in trust for Her Majesty in right of Canada.

On November 29, 2012, the Governor General in Council, on the recommendation of the Minister of Public Works and Government Services, authorized that CLCL procure the amalgamation of OPMC and PDP, effectively granting CLCL the power to determine PDP and OPMC's strategic operating, investing and financing policies. A separate order in council removed OPMC and PDP's parent Crown corporation status.

CLCL conducts its real estate business operations through CLC and PDP, its principal wholly-owned subsidiaries. CLCL's objective is to carry out a commercially oriented and orderly disposal program of certain real properties of the Government of Canada (the government) and the management of certain select properties. In undertaking this objective, CLC and PDP may manage, develop and dispose of real properties, either in its capacity as owner or on behalf of the government. CLCL conducts its hospitality and tourism operations through Canada's National Tower (CN Tower), owned by CLC, and OPMC.

The registered office of the corporation is 1 University Avenue, Suite 1200, Toronto, Ontario, M5J 2P1.

The consolidated financial statements were approved by the Board of Directors on June 28, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The consolidated financial statements of the corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

b) Basis of Presentation

CLCL's consolidated financial statements have been prepared on a historical cost basis, except where otherwise indicated. The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, the corporation's functional currency, rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects to all years presented in these consolidated financial statements.

c) Basis of Consolidation

The consolidated financial statements include the accounts of the corporation and its consolidated subsidiaries, which are the entities over which the corporation has control. Control exists when the corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The accounts of CLC, a wholly-owned subsidiary of CLCL, are consolidated with CLCL's accounts.

CLCL holds the shares of OPMC and PDP in trust for Her Majesty in right of Canada. On November 29, 2012, the Minister of Public Works and Government Services announced that CLCL would take full responsibility for OPMC and PDP. That announcement has provided CLCL with the power to determine their strategic operating, investing and financing policies. Accordingly, business combinations with entities under common control are accounted for in the consolidated financial statements prospectively from the date CLCL obtains control. Assets and liabilities are recognized upon consolidation at their carrying amount under IFRS in the consolidated financial statements of the acquired entity. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognized directly in equity in Contributed Surplus (see note 4).

Inter-company transactions, balances, unrealized losses and unrealized gains on transactions between the CLCL and its subsidiaries have been eliminated.

Special purpose entities (SPEs)

The Downsview Park Foundation (DPF) was created to assist with the development of Downsview Park by generating financial support and gifts from corporations and the public. The DPF received its charitable registration from the Canada Revenue Agency in 2005.

The Montréal Science Centre Foundation (MSCF) is a not-for-profit organization founded in 2000. It manages the funds and fund-raising activities for the sole benefit of the Montréal Science Centre (MSC). The MSCF must remit all funds to OPMC to be used for activities of the MSC.

The MSCF and DPF are consolidated as the corporation has concluded that it controls these SPEs. Intra-corporation balances and transactions, and any unrealized income and expenses arising from intra-corporation transactions, are eliminated in preparing the consolidated financial statements.

d) Revenue Recognition

The corporation recognizes revenue as follows:

i) Real estate sales

Sales revenues are recognized at the time that the risks and rewards of ownership have been transferred, possession or title of the property passes to the purchaser, and all material conditions of the sales contract have been met, with receipt of at least 15% of the total proceeds.

ii) Rental

The corporation has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. The corporation also leases certain property classified as property, plant and equipment to tenants. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the corporation is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. Tenant improvements provided in connection with a lease are recognized as an asset and expensed on a straight-line basis over the term of the lease. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the non-cancellable portion of the leases in place; a straight-line rent receivable, which is included in trade receivables and other, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property and capital taxes. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

iii) Rental from incidental activities

In addition to earning rental revenues from leases associated with investment properties, the corporation also earns rental revenues from lease arrangements with tenants on certain commercial and residential development properties in inventory. These lease arrangements are generally short term and renewable on an annual basis, and are considered incidental to the related land development activities. As described in note 2o)i), the corporation has applied judgment in determining that the commercial and residential development properties from which rental from incidental activities is derived are classified and carried as inventory instead of investment property. The revenue recognition policy for the related lease arrangements is consistent with the policy applied in lease arrangements of investment properties, as described in note 2d)ii).

iv) Attractions, food, beverage and other revenues

Revenues from programming and parking, ticket sales, food and beverage sales, event and concessions sales, hospitality revenues, sports facilities, retail store sales and other revenues are recognized at point of sale or when services are provided as appropriate.

v) Donations and sponsorships

The corporation, through its subsidiaries, has signed agreements with a number of sponsors that provide cash, products, advertising and other services in exchange for various benefits, including exclusive marketing rights and visibility. Donations and sponsorships are recognized in the period to which they relate in Interest and other in the Consolidated Statement of Comprehensive Income. Non-monetary transactions are recorded at fair value.

Donations and sponsorships restricted by the donor or sponsor for specific uses are initially recorded under deferred revenues and recognized as revenue when the conditions have been met.

vi) Government funding and appropriations

The corporation, through its subsidiary OPMC, receives funding in the form of parliamentary appropriations from the Government of Canada (also referred to as "transfer payments"), which must be used during the year in which the funds were granted, failing which the corporation will be required to repay the unused portion, while for a surplus, an asset for refundable parliamentary appropriations is recognized under receivables.

The government funding and appropriations are used during the year to finance operating expenditures and acquire property, plant and equipment and investment properties.

This requirement constitutes a stipulation as to how the corporation must use the resources transferred to it or measures that it must take to maintain the transfer.

Funding and appropriations from the government are recognized at their fair value where there is a reasonable assurance that the funding and appropriations will be received and the corporation will comply with all attached conditions.

Government funding and appropriations relating to the acquisition of property, plant and equipment and investment properties are recorded as a reduction of the cost of the assets to which they relate, with any amortization calculated on the net amount. Government funding and appropriations related to operating expenditures are recorded as revenue and recognized over the period necessary to match them with the expenditures that they are intended to compensate.

e) Pre-acquisition Costs

Costs incurred on properties that the corporation has no title to or early use agreement for are expensed to the Consolidated Statements of Comprehensive Income.

f) Properties

i) Property, plant and equipment

Property, plant and equipment (PPE) includes properties held for use in the supply of goods and services or administrative purposes. All PPE is stated at historical cost less depreciation and any impairment. Historical cost includes any expenditure that is directly attributable to the acquisition of the items.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying PPE are capitalized. A qualifying PPE is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalized while acquisition, construction or production is actively underway.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the fiscal year in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Foundations, structure and walls	13–75 years
Site works	10 years
Mechanical	8–25 years
Electrical	8–30 years
Building equipment	12–26 years
Heating and ventilation	8–15 years
Elevators and escalators	11–26 years
Specialty equipment	10–20 years
Roof covering	15–25 years
Building finishes	7–20 years
In-place leasing costs	10 years
Office equipment and computer software and hardware	3–7 years
Catering, hospitality and entertaining equipment	3–15 years
Leasehold improvements	15–25 years, or term of lease
Park fixtures	5 years
Land improvements – other	10 years
Roadways/driveways	25 years
Services (underground piping, etc.)	50 years
Building, quays and structures	15–40 years
Amenities and facilities related to land	15–25 years
Signage	4–10 years
Urban furniture	15–25 years
Automotive equipment	5 years
Machinery, tooling and equipment	3–25 years
Exhibitions	Depending on duration of exhibition

The assets' residual values and useful lives are reviewed, and adjusted if appropriate on an annual basis.

An asset's carrying amount is tested for impairment if there are indicators of impairment. When there are indicators of impairment, and an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (see note 2h)).

The corporation holds some buildings for dual purposes, where a portion is leased to tenants and the remainder is used by the corporation for administrative purposes. When a significant portion is owner-occupied, the corporation classifies the property as PPE.

ii) Investment properties

Investment properties are properties held by the corporation for the purpose of obtaining rental income or capital appreciation, or both, but not for the ordinary course of business. Investment property also includes properties that are being constructed or developed for future use as investment properties.

The corporation applies the cost model in which investment properties are valued under the same basis as property, plant and equipment (see note 2f)i)), except where the asset meets the criteria to be classified as held for sale; then the asset is measured in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations" (see note 2h)).

The depreciation rates for property, plant and equipment are also applicable to investment properties.

From commencement of commercial development until the date of completion, the corporation capitalizes direct development costs, realty taxes and borrowing costs that are directly attributable to the project. Also, initial direct leasing costs incurred by the corporation in negotiating and arranging tenant leases are added to the carrying amount of investment property. In management's view, completion occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Depreciation commences upon completion of commercial development and is based on a component approach discussed in detail in note 2f)i).

iii) Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue or current average cost per acre. Inventories are written down to net realizable value (NRV) whenever events or changes in circumstances indicate the carrying value may exceed NRV. A write-down to NRV is recognized in the Consolidated Statement of Comprehensive Income when the carrying value of the property exceeds its NRV. NRV is based on projections of future cash flows, which take into account the specific development plans for each project and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

The corporation capitalizes all direct expenditures incurred in connection with the acquisition, development and construction. These include: freehold and leasehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, property taxes, construction overheads and other related costs. Selling costs such as commissions and marketing programs are expensed when paid.

The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when the asset is ready for its intended use. During the development phase, any rental revenues and associated expenses related to the project are recognized in the Consolidated Statement of Comprehensive Income (see note 2f)i)) during the period. Costs incurred on properties that the corporation has no title to or early use agreement for are expensed to the Consolidated Statements of Comprehensive Income.

Inventories are considered current assets when active development begins or when property has been serviced. Properties undergoing active development are classified as "properties under development", whereas properties that have been serviced and are ready for sale, or that the corporation intends to sell in their current state without any further significant costs to be incurred, are classified as "properties held for sale". Properties classified as "properties held for future development" are considered non-current.

Operating inventories carried by the CN Tower, PDP and OPMC are included in trade and other receivables in the Consolidated Statement of Financial Position.

g) Assets Held for Sale

Non-current assets and groups of assets and liabilities which comprise disposal groups are categorized as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

Where an asset or disposal group is acquired with a view to resale, it is classified as a "non-current asset held for sale" if the disposal is expected to take place within one year of the acquisition, and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. The gain on sale of a disposal group will be recognized with discontinued operations.

h) Impairment of Financial and Non-Financial Assets

At the end of each reporting period, or whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable, the corporation reviews its assets to determine whether there is an event or change in a circumstance that indicates a possible impairment loss. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated as the discounted present value of estimated future cash flows expected to arise from the corporation's planned use of an asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

Financial and non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date when changes in circumstances that led to the initial impairment provision indicate that such impairments may have been reduced. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date.

i) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments, such as money market funds and term deposits, with original maturities at the date of purchase of three months or less, and deposit certificates, which are redeemable at any time and mature less than twelve months from the transaction date.

j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position dates, and any adjustment to tax payable in respect of previous years.

Deferred tax is reported using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax reported is based on the expected manner of realization or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted or substantively enacted at the Consolidated Statement of Financial Position dates. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial Instruments

The following summarizes the corporation's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial Assets		
Trade and other receivables	Loans and receivables	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Financial Liabilities		
Mortgage bond payable	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Trade and other payables	Other liabilities	Amortized cost

The corporation documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as hedges to specific assets and liabilities on the Consolidated Statements of Financial Position or to specific firm commitments or forecasted transactions. The corporation also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are designated as hedges are highly effective in offsetting changes in fair values or cash flows of hedged items.

In cash flow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income (OCI) while the ineffective portion is recognized in net income. Hedging gains and losses recognized in accumulated other comprehensive income (AOCI) are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated or when it is determined a forecasted hedged transaction is no longer probable.

On April 1, 2010, the corporation entered into an interest rate swap. This interest rate swap derivative is designated as a cash flow hedge with a notional amount of $50 million and a fixed rate of 2.47% plus stamping fee of 1.5% maturing on April 1, 2013. This interest rate swap was extinguished when the loan was paid off in September 2011.

l) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. If the effect of the time value of money is material, the provisions are measured at the present value. The provisions are determined by discounting the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as finance cost.

A provision for asset retirement obligations in respect of buildings containing hazardous materials is recognized when the environment is disturbed and a reasonable estimate of the future costs and discount rates can be made. These obligations are recognized in the period they are incurred at the present value of the best estimate of the expenditures required to settle the present obligation, discounted at a risk-free interest rate. Subsequently, at each reporting date, the obligation is adjusted through an unwinding of discount expense, and any changes in the estimated amounts required to settle the obligation and significant changes in the discount rate, inflation and risks. The associated costs are capitalized as part of the carrying value of the related assets.

The corporation assesses all of its activities and all of its sites and facilities involving risks to determine potential environmental risks. Sites and facilities considered to represent an environmental risk are examined in detail and corrective measures have been or will be taken, as necessary, to eliminate or mitigate these risks. The ongoing risk management process currently in place enables the corporation to examine its activities and property under normal operating conditions and to follow up on accidents that occur. Properties that may be contaminated, or the activities or property that may cause contamination, are taken charge of immediately as soon as contamination is noted, under an action plan developed to assess the nature and extent of the repercussions as well as the applicable requirements.

A provision for payment in lieu of taxes (PILT) and legal costs is recognized when management believes there is a present obligation that will be required to be settled in a future period.

m) Other Comprehensive Income (OCI)

OCI represents changes in shareholder's equity arising from unrealized gains and losses on financial assets classified as available-for-sale, and changes in the fair value of the effective portion of cash flow hedging instruments.

n) Critical Judgments in Applying Accounting Policies

In the process of applying the corporation's accounting policies, management has made the following critical judgments which have the most significant effect on the amounts recognized in the consolidated financial statements:

i) Inventories

The corporation's policies related to property inventories are described in note 2f)iii). In applying these policies, the corporation makes judgments with respect to the classification of certain inventory properties.

The corporation considers inventories as current when active development begins or when the property has been serviced or sold as is. The operating cycle for inventories frequently exceeds twelve months as a result of development lead times and market conditions.

ii) Investment properties

The corporation's accounting policies are described in note 2f)ii). In applying these policies, judgment is made for investment properties under development in determining when the property has reached completion.

iii) Leases

The corporation's policy on revenue recognition is stated in note 2d)ii). With regards to this policy, the corporation must consider whether a tenant improvement provided in connection with a lease enhances the value of the leased property in order to determine whether such amounts are treated as additions to investment property. Tenant improvements provided in connection with a lease are recognized as an asset and expensed on a straight-line basis over the term of the lease.

The corporation also makes judgments in determining whether certain leases, especially long-term leases in which the tenant occupies all or a major part of the property, are operating or finance leases.

iv) Sale price allocation

The corporation has adopted the sale price allocation used by the purchaser in allocating the sales proceeds between property, plant and equipment and investment properties for the sale of the Metro Toronto Convention Centre (MTCC) Complex.

The hotel portion of the MTCC Complex was classified as PPE and is reported under Discontinued operations in the Consolidated Statements of Comprehensive Income. The other properties sold were classified as investment properties and are reported under Gain on sale of investment property.

v) Provisions

The corporation's policies related to provisions are described in note 20. In applying these policies, the corporation makes judgments with respect to the best estimates of probability, timing and measurement of expected value of its outcome.

vi) Income taxes

The corporation is subject to income taxes in numerous Canadian jurisdictions and significant judgment is required in determining the provision for income taxes. The corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the corporation's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. See note 23 for additional information.

The corporation makes significant judgments on the recoverability of deferred tax assets based on expectations of future profitability and tax planning strategies. Changes in the expectations or the inability to implement the tax planning strategies could result in derecognition of the deferred tax assets in future periods.

o) Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The corporation includes in its liabilities future servicing costs to complete a project based on management's best estimates. Actual results could differ significantly from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

i) Inventories

In determining estimates of net realizable values for its properties, the corporation relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not necessarily result in a precise determination of asset value.

In arriving at such estimates of net realizable value of the properties, management is required to make assumptions and estimates as to future costs which could be incurred in order to comply with statutory and other requirements. Also, estimates of future development costs are used to allocate current development costs across project phases. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property, and as new information becomes available.

The corporation produces a yearly Corporate Plan that includes a proforma analysis of the projects, including expected revenues and projected costs. This analysis is used to determine the cost of sales recorded. This proforma analysis is reviewed periodically, and when events or circumstances change, and is updated to reflect current information.

ii) Investment properties

For disclosure purposes, management's internal assessments of fair values of investment properties as at March 31, 2013 are based upon internal financial information and are corroborated by capitalization rates obtained from independent sources. These estimates are subject to significant judgments and assumptions about market conditions in effect as at the reporting date.

iii) Financial instruments

Where the fair values of financial assets and financial liabilities as disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value.

iv) Significant components and useful lives

The useful lives and residual values of the corporation's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events. Management also makes judgments in determining significant components. A component or part of an item of property, plant and equipment or investment property is considered significant if its allocated cost is material in relation to the total cost of the item. Also, in determining the parts of an item, the corporation identifies parts that have varying useful lives or consumption patterns.

v) Interest rate on notes payable to the government

Notes payable are issued in consideration of the acquisition of real estate properties and are due to the Government of Canada. These notes are repayable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. The repayment schedule is also based on an estimated time [illegible]. The notes are non-interest bearing. The non-interest bearing notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate.

vi) Impairments and write-downs

Management reviews assets annually, as part of the corporate planning process, and when events or circumstances change.

For inventories, a write-down is recorded when the net realizable value of anticipated net sales revenue is less than the sum of the book value of the property and its anticipated costs to complete.

For other assets, such as investment properties and property, plant and equipment, impairment estimates are made based on analysis of cash-generating units as described in note 2h) and are recorded if the recoverable amount of the property is less than the book value.

vii) OPMC conforming accounting standards from PSAS to IFRS

For transition purposes for OPMC from PSAS to IFRS, management made a number of significant estimates and assumptions to determine the identifiable assets acquired and liabilities assumed at November 29, 2012, and align those identified assets and liabilities to the corporation's accounting policies (see note 5).

3 FUTURE ACCOUNTING AND REPORTING CHANGES

For the corporation's current and future reporting, we have reviewed the new and revised accounting pronouncements listed below:

i) Presentation of Items of Other Comprehensive Income

IAS 1, "Presentation of Financial Statements", was amended in June 2011. The main change resulting from these amendments is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

ii) Financial Instruments

IAS 32, "Financial Instruments: Presentation", was amended in December 2011. The amendments address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of "currently has a legally enforceable right to set-off", and clarifying that some gross settlement systems may be considered equivalent to net settlement.

IFRS 7, "Financial Instruments: Disclosures", was amended in December 2011. The amendment enhances disclosure requirements to aid financial statements users in evaluating the nature of, and risks associated with, an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments provide guidance in defining "continuing involvement" for the purposes of applying the disclosure requirements.

IFRS 9, "Financial Instruments", was issued in November 2009 and is intended to replace IAS 39, "Financial Instruments: Recognition and Measurement" in phases. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, as opposed to the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments given its business model and the contractual cash flow characteristics of the financial assets. The standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in OCI.

iii) Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements", issued in May 2011 with amendments in June and December 2012, changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. IFRS 10 supersedes the guidance on control and consolidation in IAS 27, "Consolidation and Separate Financial Statements", and SIC 12, "Consolidation – Special Purpose Entities".

iv) Joint Arrangements

IFRS 11, "Joint Arrangements", replaces IAS 31, "Interests in Joint Ventures". IFRS 11 reduces the type of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for any interest in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31.

IAS 28, "Investments in Joint Arrangements", was amended in May 2011 to prescribe the method for accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

v) Disclosure of Interest in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities", sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, "Investments in Associates".

vi) Fair Value Measurement

IFRS 13, "Fair Value Measurement", provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances the disclosure requirements for information about fair value measurements.

The future accounting policy changes are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted (except for the amendment to IAS 1, which is effective for annual periods beginning on or after July 1, 2012, IAS 32, "Financial Instruments: Presentation", which is effective on or after January 1, 2014, and IFRS 9, "Financial Instruments", which is effective for annual periods beginning on or after January 1, 2015). The corporation does not expect that these amendments will result in a material impact on its consolidated financial statements; however, the corporation does expect additional disclosure.

4 BUSINESS COMBINATIONS UNDER COMMON CONTROL

On November 29, 2012, the Government of Canada entrusted CLCL with the mandate to amalgamate and strengthen the operational effectiveness and accountability of OPMC and PDP, federal Crown corporations, which have been fully integrated into CLCL at that date through the transfer of control (the Transaction). Prior to this announcement, OPMC and PDP were independent Crown corporations that were legally subsidiaries of the parent company, CLCL, but were not considered to be controlled by the latter.

The Transaction is a business combination under common control. It has been accounted for by the corporation prospectively from the date of the Transaction using predecessor accounting values.

Assets and liabilities have been recognized in the corporation's consolidated financial statements at their IFRS carrying amounts in the accounts of OPMC as is further described below (see note 5).

Identifiable assets acquired and liabilities assumed – November 29, 2012	
Cash and cash equivalents	$ 14,199
Investment properties	–
Property, plant and equipment	–
Deferred income tax recoverable	6,056
Trade and other receivables	2,048
Trade and other payables	(4,026)
Government funding and appropriations	(8,733)
Deferred revenue	(3,368)
Prepaid rent, deposits and other	(640)
	$ 5,536

OPMC contributed revenues of $12.4 million and net income before tax of $0.7 million to the corporation for the period from November 29, 2012 to March 31, 2013.

Assets and liabilities have been recognized in the corporation's consolidated financial statements at their IFRS carrying amounts in the accounts of PDP. See the table below:

Identifiable assets acquired and liabilities assumed – November 29, 2012	
Cash and cash equivalents	$ 4,733
Trade and other receivables	3,626
Property, plant and equipment	65,045
Inventory	9,777
Investment property	5,254
Deferred income tax recoverable	59,355
Credit facility	(79,000)
Trade and other payables	(9,321)
Deferred revenue	(8,033)
Notes payable	(19,000)
Provisions	(1,320)
Prepaid rent, deposits and others	(563)
	$ 30,553

PDP contributed revenues of $5.6 million and net loss before tax of $4.9 million to the corporation for the period from November 29, 2012 to March 31, 2013.

Transaction-related costs of $0.9 million are included in general and administrative expenses in the Consolidated Statement of Comprehensive Income and in operating cash flows in the Consolidated Statement of Cash Flows.

5 OPMC CONFORMING ACCOUNTING STANDARDS FROM PSAS TO IFRS

OPMC prepares its consolidated financial statements in accordance with Canadian public sector accounting standards (PSAS).

To apply the prospective predecessor values method in order to consolidate OPMC as at the date of change in control of November 29, 2012, CLCL applied all of its existing IFRS accounting policies to convert OPMC's PSAS carrying amounts to IFRS.

The effect of OPMC's transition to IFRS is summarized in this note as follows:

The following is a reconciliation of OPMC's assets, liabilities and equity reported in accordance with PSAS to the corresponding amounts in accordance with IFRS at the date of transition:

	Note	PSAS (i)	Adjustments	IFRS
ASSETS				
Non-Current				
Investment properties	(a) (b)	$ –	$ –	$ –
Property, plant and equipment	(a) (b)	388,162	(388,162)	–
Trade and other receivables		–	–	–
Deferred income tax recoverable	(c)	–	6,056	6,056
		388,162	(382,106)	6,056
Current				
Cash and cash equivalents	(d)	1,199	13,000	14,199
Investments	(d)	13,000	(13,000)	–
Trade and other receivables		2,048	–	2,048
		16,247	–	16,247
		$ 404,409	$ (382,106)	$ 22,303

LIABILITIES AND SHAREHOLDER'S EQUITY				
LIABILITIES				
Non-Current				
Trade and other payables		$ –	$ –	$ –
Provisions		–	–	–
Deferred taxes		–	–	–
		–	–	–
Current				
Trade and other payables		4,026	–	4,026
Provisions		–	–	–
Government funding and appropriations payable		8,733	–	8,733
Deferred revenue		3,368	–	3,368
Prepaid rent, deposits and other		640	–	640
		16,767	–	16,767
SHAREHOLDER'S EQUITY				
Capital stock		–	–	–
Retained earnings	(a) (b) (c)	387,642	(382,106)	5,536
		387,642	(382,106)	5,536
		$ 404,409	$ (382,106)	$ 22,303

(i) The amounts presented in this column represent the amounts as reported under PSAS reclassified with the presentation used in IFRS.

Explanatory notes

(a) Under PSAS, all tangible capital assets are classified in a single category. Under IFRS, such assets that are held for the purpose of earning rental income are classified as investment property, with the remainder classified as property, plant and equipment.

The corporation has applied its existing accounting policy, which is historical cost less depreciation and impairments, for all of OPMC's investment properties and immoveable property, plant and equipment as at the date of transition. The alignment of the accounting for these assets to CLCL's accounting policies resulted in a reduction in the book value of $292.2 million, from $388 million to $96.0 million at November 29, 2012.

(b) Since its formation, the main part of OPMC's property, plant and equipment was covered by government funding and appropriations and thus, under CLCL accounting policy for the presentation of such funding and appropriations, the grants related to assets have been recorded net of the related assets. As a result, the historical net carrying amounts as at November 29, 2012 for the moveable and immoveable property, plant and equipment, as calculated in note (a) above, further decreased by $96.0 million to $nil.

(c) Under PSAS, government funding and appropriations related to tangible capital assets are recognized in earnings as the expenditures are incurred while they are recorded net of the related assets under IFRS, as previously mentioned.

	November 29, 2012
Property, plant and equipment	$ 3,711
Government funding and appropriations	2,345
	$ 6,056

(d) Under IFRS, the deposit certificates redeemable at any time have been considered as cash equivalents.

As at November 29, 2012, CLCL's estimates related to OPMC's operations under IFRS are consistent with estimates made at the same date in accordance with PSAS.

6 DISCONTINUED OPERATIONS

On August 18, 2011, the corporation announced that it had entered into an agreement to sell the Metro Toronto Convention Centre Complex (MTCCC) properties that included the InterContinental Hotel, Metro Toronto Convention Centre, 277 Front Street Office Tower, and a 1,200-stall parking facility as part of the disposal group. On September 14, 2011, the corporation sold the MTCCC to Oxford Properties Group, the real estate arm of OMERS Worldwide Group of Companies.

i) Discontinued Operations

The hospitality operations of the InterContinental Hotel (classified as Property, plant and equipment in the Consolidated Statement of Financial Position) are considered discontinued operations. The following table summarizes the income and cash flows from discontinued operations:

Year ended March 31	2013	2012
Revenues	$ –	$ 18,612
Operating expenses	–	15,487
Interest expense	–	1,171
Amortization	–	2,603
Results from operating activities before income taxes	–	(649)
Income tax expense (recovery)	–	(174)
Results from operating activities net of income tax	–	(475)
Gain from disposal	–	34,324
Income tax expense on gain from disposal	–	9,216
Net gain from disposal	–	25,108
Net income from discontinued operations	$ –	$ 24,633
Cash flows from operating activities	$ –	$ 112,227
Cash flows from investing activities	–	(5,817)
Cash flows from financing activities	–	(113,206)
Net cash used in discontinued operations	$ –	$ (6,796)

ii) Dispositions

Other properties that were part of the disposal of the MTCCC that was sold on September 14, 2011 but do not represent discontinued operations include the office tower at 277 Front Street West and the Metro Toronto Convention Centre, which included the 1,200-stall parking facility. The corporation sold these properties for total consideration of $116.2 million. The corporation realized a gain of $61.4 million before income taxes that is recorded in the revenue section of the Consolidated Statement of Comprehensive Income under the caption Gain on sale of investment property.

As a result of the sale, the corporation retired the term loans of $95 million from the proceeds of the sale. The cash flow hedge portion of the term loan of $50 million was also terminated.

7 PROPERTY, PLANT AND EQUIPMENT

The corporation's property, plant and equipment consist mainly of the CN Tower, the National Urban Park, the Sports Hangar, the Plaza Garage, the John Street Parkette, the Montreal Science Centre, the OPMC office building, vehicles, exhibitions, and computers and office equipment.

The corporation's accounting policy for government grants used to purchase property, plant and equipment and investment property, as disclosed in note 2d)vi), is to record the assets net of the grants received. OPMC assets had historically been funded by appropriations, thus as described in note 5, the assets' book value of $96.0 million has been netted on initial recognition on November 29, 2012. Additionally, OPMC had acquisitions of $0.4 million for the four months ended March 31, 2013 in property, plant and equipment for which government funding and appropriations were applied against.

COST OR DEEMED COST

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, April 1, 2011	$ 5,632	$ 179,967	$ 26,058	$ –	$ –	$ 211,657
Additions	1,368	10,388	2,022	–	–	13,778
Disposals	–	98,548	10,321	–	–	108,869
Balance, March 31, 2012	$ 7,000	$ 91,807	$ 17,759	$ –	$ –	$ 116,566
Acquisition through business combinations	25,296	13,013	7,953	24,738	3,044	74,044
Additions for the period	–	16,414	2,162	11	–	18,587
Disposals	–	7	20	41	2	70
Transfer to investment properties	3,436	–	–	–	–	3,436
Balance, March 31, 2013	$ 28,860	$ 121,227	$ 27,854	$ 24,708	$ 3,042	$ 205,691

DEPRECIATION AND IMPAIRMENT

	Land	Building	Equipment and Other	Land Improvements	Tenant Improvements	Total
Balance, April 1, 2011	$ –	$ 15,773	$ 16,637	$ –	$ –	$ 32,410
Additions for the year:						
Depreciation	–	7,909	2,112	–	–	10,021
Disposals	–	17,606	4,425	–	–	22,031
Balance, March 31, 2012	$ –	$ 6,076	$ 14,324	$ –	$ –	$ 20,400
Acquisition through business combinations	–	1,746	3,497	2,010	1,746	8,999
Additions for the year:						
Depreciation	–	6,516	2,022	348	98	8,984
Disposals	–	–	20	3	2	25
Balance, March 31, 2013	**$ –**	**$ 14,338**	**$ 19,823**	**$ 2,355**	**$ 1,842**	**$ 38,358**
Carrying amounts						
At March 31, 2012	$ 7,000	$ 85,731	$ 3,435	$ –	$ –	$ 96,166
At March 31, 2013	**$ 28,860**	**$ 106,889**	**$ 8,031**	**$ 22,353**	**$ 1,200**	**$ 167,333**

The gross carrying amounts of property, plant and equipment at March 31, 2013 included $14.3 million (March 31, 2012 – $1.4 million) of property, plant and equipment under construction which is disclosed within the respective asset categories.

8 INVESTMENT PROPERTIES

The corporation's investment properties consist primarily of the land at the Rogers Centre and the CN Tower Base, and rental properties at PDP and OPMC.

The corporation's accounting policy for government grants used to purchase property, plant and equipment and investment property, as disclosed in note 2d)vi), is to record the assets net of the grants received. OPMC assets had historically been funded by appropriations, thus as described in note 5, the assets' book value of $96.0 million has been netted on initial recognition on November 29, 2012. Additionally, OPMC had acquisitions of $2.6 million for the four months ended March 31, 2013 in investment properties against which government funding and appropriations were applied, resulting in nil additions. An office tower located at 277 Front Street West and the Metro Toronto Convention Centre were sold on September 14, 2011.

COST OR DEEMED COST

	Land	Building	In-place Leasing Costs	Tenant Improvements	Other Development Costs	Total
Balance, April 1, 2011	$ 4,993	$ 52,759	$ 9,492	$ –	$ –	$ 67,244
Additions	1,223	2,523	–	–	–	3,746
Disposals	3,764	55,282	9,492	–	–	68,538
Balance, March 31, 2012	$ 2,452	$ –	$ –	$ –	$ –	$ 2,452
Reclassification within investment properties	(2,334)	–	–	–	2,378	44
Acquisition through business combinations	124	2,645	–	1,032	2,335	6,136
Transfer from Property, plant and equipment	3,436	–	–	–	–	3,436
Additions	39	–	–	1,216	1,017	2,272
Disposals	–	–	–	156	–	156
Balance, March 31, 2013	**$ 3,717**	**$ 2,645**	**$ –**	**$ 2,092**	**$ 5,730**	**$ 14,184**

DEPRECIATION AND AMORTIZATION

	Land	Building	In-place Leasing Costs	Tenant Improvements	Other Development Costs	Total
Balance, April 1, 2011	$ –	$ 9,669	$ 2,848	$ –	$ –	$ 12,517
Additions for the year:						
Depreciation	–	1,231	316	–	–	1,547
Disposals	–	10,900	3,164	–	–	14,064
Balance, March 31, 2012	$ –	$ –	$ –	$ –	$ –	$ –
Reclassification within investment properties	–	–	–	–	44	44
Acquisition through business combinations	–	393	–	487	–	880
Additions for the year:						
Depreciation	–	40	–	118	63	221
Disposals	–	–	–	156	–	156
Balance, March 31, 2013	**$ –**	**$ 433**	**$ –**	**$ 449**	**$ 107**	**$ 989**
Carrying amounts						
At March 31, 2012	2,452	–	–	–	–	2,452
At March 31, 2013	**$ 3,717**	**$ 2,213**	**$ –**	**$ 1,644**	**$ 5,623**	**$ 13,195**

The fair values of the investment properties on March 31, 2013 are estimated at $45.3 million (March 31, 2012 – $18.3 million).

The fair value of the investment properties was estimated using a combination of internal valuation techniques and external consultants at March 31, 2013. The outside consultants are accredited independent valuators with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued. On a quarterly basis, management reviews the assumptions to update the estimated fair value of the investment properties.

In determining market value, the income and direct comparison approaches were used. The income approach capitalizes net annual revenues or discounts forecasted net revenues to their present value after considering future rental income streams, anticipated operating costs as well as appropriate capitalization and discount rates. The direct comparison approach references market evidence derived from transactions involving similar properties.

The gross carrying amounts of investment property as at March 31, 2013 includes $6.8 million of investment property under construction (March 31, 2012 – $2.2 million) which is disclosed within the respective asset categories.

9 INVENTORIES

The corporation carries its inventories at the lower of cost and net realizable value, and they are classified as follows:

March 31	2013	2012
Properties held for future development or sale	**$ 24,834**	$ 30,410
Properties under development	**195,453**	165,136
Land servicing	**184,494**	149,083
Construction	**10,959**	16,053
Completed properties held for sale	**4,372**	36,466
Total Property Inventories	**$ 224,659**	$ 232,012
Total Current		
Completed properties held for sale	**$ 4,372**	$ 36,466
Properties under development	**195,453**	165,136
	199,825	201,602
Total Non-Current		
Properties held for future development or sale	**24,834**	30,410
Total Property Inventories	**$ 224,659**	$ 232,012

During the year, a write-down of $5.1 million was recorded on a Chilliwack project in British Columbia, a write-down of $1.6 million was recorded on an Ottawa project in Ontario, a write-down of $1.1 million was recorded on a Montréal project in Québec, and a write-down of $1.2 million was recorded on the Franklin Crossing project in Moncton, New Brunswick. The project analysis for the Chilliwack, Ottawa and Franklin Crossing projects at the end of the period indicated that, based on the current market conditions in the project's location and management's current assumptions, the anticipated revenues were $5.1 million, $1.6 million and $1.2 million, respectively, less than the total project costs. The Montréal project is not anticipated to generate profit based on management's current assumptions, and therefore all the costs incurred have been written off. There were no reversals of write-downs during the twelve months ended March 31, 2013 (March 31, 2012 – $nil).

Inventories charged to cost of sales total $53.5 million (March 31, 2012 – $44.1 million).

At March 31, 2013, the total inventories that are expected to be recovered from sale of the properties by March 31, 2014 are projected to be $85.4 million; and the amounts expected to be recovered after March 31, 2014 are $139.3 million.

10 LONG-TERM RECEIVABLES

Long-term receivables consist of the following:

March 31	2013	2012
Mortgages and secured notes (a)	**$ 12,621**	$ 14,070
Assignment of rents	**334**	1,336
	$ 12,955	$ 15,406

(a) Mortgages bear interest at a fixed rate at closing, yielding a weighted average rate of 4.95% (March 31, 2012 – 4.73%) and are receivable within three years. The secured notes receivable were repaid during the year.

March 31	2013	2012
Current portion	**$ 2,835**	$ 3,440
Non-current portion	**9,786**	10,630
	$ 12,621	$ 14,070

Years ending March 31		
	2014	$ 2,835
	2015	3,958
	2016	5,828
		$ 12,621

11 CASH AND CASH EQUIVALENTS

March 31	2013	2012
Cash	**$ 78,882**	$ 3,428
Cash equivalents (i)	**58,000**	54,000
	$ 136,882	$ 57,428

(i) Cash equivalents include term deposits and deposit certificates redeemable at any time, as follows:

March 31	2013
1.40%, term deposit, maturing April 29, 2013	**$ 50,000**
1.27%, redeemable deposit certificate, falling due April 18, 2013	**3,000**
1.21%, redeemable deposit certificate, falling due September 4, 2013	**5,000**
	$ 58,000

The corporation did not hold any deposit certificates redeemable at March 31, 2012.

12 SHORT-TERM INVESTMENTS

There were no short-term investments at March 31, 2013. At March 31, 2012, the corporation had a $50 million term deposit that matured in March 2013. The deposit was held by a major Canadian chartered bank; also included at March 31, 2012 was a cash deposit of $20.8 million held by a major chartered bank as collateral for the corporation's letters of credit (see note 15).

13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

March 31	2013	2012
Prepaids	$ 5,196	$ 1,134
Rents and other receivables	18,575	7,067
Restricted cash	–	8
Inventories		
CN Tower	1,140	1,021
PDP	22	–
Total trade and other receivables	$ 24,933	$ 9,230
Current	$ 18,436	$ 8,353
Non-current	6,497	877
	$ 24,933	$ 9,230

14 MORTGAGE BOND PAYABLE

The original amount issued of First Mortgage Bond, Series A, was $47 million. Maturity is in January 2014 with semi-annual principal and interest payments at a fixed rate of 5.37%.

The CN Tower has been pledged as collateral. The carrying value of the pledged properties as of March 31, 2013 was $87.3 million (March 31, 2012 – $89.3 million).

The mortgage bond payable balance is net of unamortized deferred financing costs of $22 million (March 31, 2012 – $71 million).

The mortgage bond payable has a maturity schedule as follows:

March 31	2013	2012
Current portion	$ 5,875	$ 5,593
Non-current portion	–	5,826
	$ 5,875	$ 11,419

Interest is payable at an annual effective rate of 5.89%. Interest incurred on mortgage bond payable amounted to $0.5 million for the year ended March 31, 2013 (March 31, 2012 – $0.8 million).

The corporation has the right to redeem the Series A Bond at any time upon payment of a specified redemption price equal to the greater of the Canada Yield Price and par, together, in each case, with accrued and unpaid interest up to but excluding the date fixed for redemption. The only financial covenant required for the bond is a ratio of 3:1 between shareholder's equity and secured indebtedness. The corporation is in compliance with this covenant.

15 CREDIT FACILITIES

At March 31, 2013, the corporation has two credit facilities, as follows:

March 31	2013	2012
$90 million, unsecured, demand revolving credit facility, bearing interest at variable banker's acceptance rate plus 62 basis points, maturing in September 2013 (a)	$ 41,500	$ –
$50 million, senior, unsecured revolving credit facility, bearing interest at rates between 65 basis points and prime plus 65 basis points, maturing in September 2013 (b)	–	–
Total credit facilities	$ 41,500	$ –
Current portion	$ 41,500	$ –
Non-current portion	–	–
	$ 41,500	$ –

(a) The borrowings are primarily used to finance the construction and development of Downsview Park projects. The remaining unused credit facility is $48.5 million at March 31, 2013.

(b) The corporation has used this credit facility to secure outstanding letters of credit of $25.0 million. The interest rates on outstanding letters of credit are between 65 and 300 basis points. The remaining unused credit facility is $25.0 million. At March 31, 2012, the credit facility of $70 million with terms similar to the current credit facility was not renewed. The credit facility was re-established in January 2013 at $50 million. The letters of credit amounting to $20.8 million at March 31, 2012 that were secured by this credit facility were collateralized with a cash deposit at that time, and included in the Short-term investments line item in the Consolidated Statement of Financial Position as at March 31, 2012.

The borrowing limits are reviewed annually with the approval of the Corporate Plan by the Minister of Finance. At March 31, 2013, the corporation has been authorized to borrow $140 million.

16 NOTES PAYABLE

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2013 to 2050) or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued. The notes are non-interest bearing, with the exception of one note discussed below. For accounting purposes, the face values of the notes payable are discounted and recorded at their fair market value considering the estimated timing of note repayments, which are not fixed, as well as the estimated incremental corporate fixed interest rate when the notes are issued. The imputed interest is then accrued and capitalized to inventories or expensed as appropriate, on a constant yield basis at a weighted average rate of 2.41% (March 31, 2012 – 2.86%).

During the year, interest capitalized was $2.9 million (March 31, 2012 – $1.7 million) and the interest expensed was $0.4 million (March 31, 2012 – $0.5 million).

Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

Years ending March 31	2014	$ 8,370
	2015	420
	2016	3,850
	2017	8,204
	2018	5,800
Subsequent years		63,552
Subtotal		$ 90,196
Less: amounts representing imputed interest		15,551
		$ 74,645

The $19 million note payable acquired as part of the Transaction with PDP, which is due in 2050, was not discounted on conversion to IFRS by PDP.

17 TRADE AND OTHER PAYABLES

a) Capital commitments for servicing requirements and other development costs at March 31, 2013 total $16.8 million (March 31, 2012 – $16.1 million).

b) Capital commitments for property, plant and equipment at March 31, 2013 total $2.8 million (March 31, 2012 – $0.2 million).

c) Capital commitments for investment properties at March 31, 2013 total $1.1 million (March 31, 2012 – $nil)

d) The components of the trade and other payables are as follows:

March 31	2013	2012
Accounts payable	**$ 27,040**	$ 12,460
Leases payable	**1,292**	58
	$ 28,332	$ 12,518
Current	**$ 27,339**	$ 12,493
Non-current	**993**	25
	$ 28,332	$ 12,518

18 PROVISIONS

Provisions are recognized when the corporation has a present obligation as a result of a past event and it is probable that the corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Included in provisions are the following:

a) there are $0.1 million of estimated litigation costs (March 31, 2012 – $1.2 million) relating to claims or possible claims against the corporation. There is uncertainty regarding the amount or expected timing of any resulting outflows.

b) severance and restructuring costs for $0.7 million (March 31, 2012 – $2.2 million) relating to employee termination benefits. Estimated costs were based on the terms of the termination agreements. The restructuring payments are expected to be completed by January 2014.

c) servicing costs relating to sold properties in the amount of $7.5 million (March 31, 2012 – $1.7 million). Of this amount, $7.2 million (March 31, 2012 – $1.0 million) was provided to complete servicing work for a sold property in Ontario. The costs are estimated to be spent over the next three years. The corporation expects to be reimbursed $3.0 million (March 31, 2012 – $nil) and has recognized an asset in Trade and other receivables (note 13). The remainder of the provision relates to estimated costs to complete servicing for other sold properties. The amounts provided for are based on management's best estimate, taking into consideration the nature of the work to be performed, the time required to complete the work, past experience, market, development and construction risks.

d) estimated costs of $2.5 million (March 31, 2012 – $nil) related to PILT payments lower than the annual property tax assessments that are being contested by the corporation.

e) asset retirement obligation of $1.3 million (March 31, 2012 – $nil) to remediate asbestos in various buildings. The decommissioning obligations are expected to be settled between 2014 and 2018.

f) a guarantee of $0.4 million (March 31, 2012 – $0.6 million) relating to rental payments to be made by a former tenant of the corporation. There is uncertainty in the amount and timing of those rental payments.

g) potential interest expense of $0.9 million (March 31, 2012 – $1.3 million) associated with the transition to IFRS.

	Legal (a)	Asset Retirement Obligations (e)	PILT (d)	Restructuring (b)	Cost to Complete (c)	Others (f,g)	Total
Balance, March 31, 2011	$ 929	$ –	$ –	$ 26	$ 2,228	$ 57	$ 3,240
Provisions added during the year	300	–	–	3,259	414	2,017	5,990
Provisions applied during the year	(15)	–	–	(1,061)	(753)	(122)	(1,951)
Provisions reversed during the year	–	–	–	–	(186)	(57)	(243)
Balance, March 31, 2012	$ 1,214	$ –	$ –	$ 2,224	$ 1,704	$ 1,895	$ 7,036
Acquired through business combinations	50	1,271	–	–	–	–	1,321
Provisions added during the year	81	317	2,546	–	5,998	466	9,408
Provisions applied during the year	(59)	(207)	–	(1,109)	(151)	(525)	(2,051)
Provisions reversed during the year	(1,205)	(102)	–	(390)	(18)	(363)	(2,078)
Balance, March 31, 2013	**$ 81**	**$ 1,279**	**$ 2,546**	**$ 725**	**$ 7,533**	**$ 1,473**	**$ 13,636**

Contingencies

As at March 31, 2013, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, Aboriginal title claims, employment and environmental matters. Based on the information currently available to the corporation, management believes that the resolution of these matters and any liability arising therefrom will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

The corporation's activities are governed by many federal, provincial and municipal laws and by-laws to ensure sound environmental practices, in particular for the management of emissions, sewage, hazardous materials, waste and soil contamination. Decisions relating to the ownership of real estate assets and any other activity carried on by the corporation have an inherent risk relating to environmental responsibility.

The corporation assessed all of its activities and all of its sites and facilities involving risks to determine potential environmental risks. For the properties and activities that may be significantly contaminated, the corporation has assessed the likelihood of settlement as remote. The corporation has no guarantee that material liabilities and costs relating to environmental issues will not be incurred in the future or that such liabilities and costs will not have significant negative impacts on the corporation's financial situation.

Asset Retirement Obligations

The corporation has performed site surveys for its buildings in order to determine if the assets themselves contained any signs of asbestos. The results indicated that many buildings would require remediation if they were to be demolished or significantly renovated. Asbestos in its idle state does not pose a danger with regards to the *Occupational Health and Safety Act*. However, asbestos must be remediated once it is disturbed. Once a remediation plan is in place, the estimate is made and a provision is recognized in the consolidated financial statements. A provision was made in respect of the corporation's obligation to remediate asbestos in various buildings. These obligations are expected to be settled between 2014 and 2018.

The corporation operates certain structures under an operating lease. The agreement signed by the parties includes a clause which stipulates that upon expiry of the lease the owner will retake control of these structures without providing any compensation for any additions or modifications made by the corporation to the initial structures, provided that the owner considers them to be in satisfactory condition. According to the corporation, the changes made to the structures since it has had responsibility for management thereof satisfy the lessor's requirements. Accordingly, no liability relating to the retirement of these assets has been recognized in the consolidate . financial statements.

19 GOVERNMENT FUNDING AND APPROPRIATIONS

Through OPMC, the corporation receives funding from the Government of Canada based on cash flow requirements. The Treasury Board Secretariat allotted a parliamentary appropriation in the amount of $24.5 million for the 2013 fiscal year.

As at March 31, 2013, an amount of $3.5 million is payable to the government, related to an amount of $24.5 million received during the fiscal year 2013 ($5.6 million from November 29, 2012 to March 31, 2013) for which OPMC used $21 million for the acquisition of some property, plant and equipment (see note 7) and investment properties (see note 8), and for operating expenditures during the period. The funds used for acquisition of property, plant and equipment and investment properties were netted against the related asset and the funds used for operating expenditures were recognized as revenue. The residual unused portion as at March 31, 2013 is recorded as a payable to the government.

20 EXPENSES BY NATURE

The nature of expenses in real estate cost of sales, attractions, food, beverage and other expenses, rental operating costs, general and administrative, impairment and pre-acquisition costs, and interest and other expenses, consisted of the following:

For the year ended March 31	2013	2012
Cost of inventory, raw material and consumables used	**$ 42,246**	$ 32,938
Payroll and benefits	**24,781**	21,692
Depreciation and amortization	**9,119**	8,965
Food and beverage costs	**16,392**	15,995
Attraction costs	**7,040**	6,021
Building costs	**1,238**	–
Office	**2,493**	5,401
Leasing expenses	**14,545**	13,729
Professional fees	**9,159**	8,998
Property taxes including PILT	**12,244**	7,953
Interest	**1,233**	3,630
Utilities	**5,602**	5,208
Impairment	**9,047**	942
IT costs	**774**	655
Other	**5,991**	384
	$ 161,904	$ 132,511

21 SHAREHOLDER'S EQUITY

a) Capital Stock

CLCL is authorized to issue three shares, which shall be transferred only to a person approved by the Minister designated as the appropriate Minister for CLCL (Minister). The current Minister is the Minister of Public Works and Government Services. The three authorized shares have been issued and are held in trust for Her Majesty in right of Canada by the Minister. Nominal value has been ascribed to the three issued shares of CLCL.

b) Contributed Surplus

Contributed surplus is comprised of the net assets of $249.6 million acquired from the Minister of Transport less $104.5 million transferred to capital stock. Subsequently, CLC's capital stock was reduced by this amount through payments to the shareholder in accordance with the *Canada Business Corporations Act* during the period 1996 to 2000.

The amounts recorded to contributed surplus of $36,089 represent the net assets of OPMC and PDP as at November 29, 2012 (see notes 4 and 5).

c) Accumulated Other Comprehensive Income

Losses on a derivative designated as a cash flow hedge are recognized in accumulated other comprehensive income. During the year ended March 31, 2012, the cash flow hedge was settled as the interest rate swap related to the term loans was paid on disposal of the MTCC Complex (see note 6).

22 OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

March 31	2013	2012
Less than 1 year	**$ 1,604**	$ 546
Between 1 and 5 years	**3,827**	1,626
More than 5 years	**446**	42
	$ 5,877	$ 2,214

The corporation has operating lease obligations for quays, office space, computer hardware and other equipment. The leases typically run for a period of 1 to 10 years with an option to renew the lease after that date.

During the year ended March 31, 2013, an amount of $0.7 million was recognized as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (March 31, 2012 – $0.7 million).

Leases as Lessor

The corporation leases out its investment properties, certain inventories and property, plant and equipment under operating leases generally with lease terms between less than 1 year to 46 years. Some leases have renewal options with one lease having nine 10-year renewal options.

The future minimum lease payments under non-cancellable leases are as follows:

March 31	2013	2012
Less than 1 year	**$ 17,288**	$ 8,540
Between 1 and 5 years	**28,901**	17,746
More than 5 years	**24,747**	11,315
	$ 70,936	$ 37,601

During the year ended March 31, 2013, $18.3 million was recognized as rental income in the Consolidated Statement of Comprehensive Income (March 31, 2012 – $15.3 million).

As part of a purchase and sale agreement with a related party, the corporation is required to lease housing units to the related party for an indefinite period. The units are leased to the related party at a discount compared to market rates, and have generated $0.7 million of rental revenue in the current year (March 31, 2012 – $0.7 million). The individual leases are renewed monthly and do not expire.

23 INCOME TAXES

March 31	2013	2012
Income Tax Expense		
Deferred tax expense	**$ (3,604)**	$ (8,981)
Current income tax expense	**17,289**	41,103
Total Tax Expense	**13,685**	32,122
Reconciliation of effective tax rate		
Profit excluding tax	**62,258**	114,177
Domestic tax rate	**26.50%**	26.85%
Tax using the domestic tax rate	**16,498**	30,657
Permanent differences		
Non-deductible expenses	**57**	50
Change in tax rate	**(11)**	(1,148)
Under/(Over) provided in prior year	**(427)**	2,090
Impact of Alberta tax exemption	**(788)**	–
Write-off of prior year payable	**(896)**	–
Provincial rate differential	**(152)**	122
Other adjustments	**(596)**	351
Total Tax Expense	**$ 13,685**	$ 32,122

CURRENT TAX EXPENSE

March 31	2013	2012
Tax recognized in profit or loss		
Current year	**$ 17,400**	$ 32,654
Adjustment in respect of prior years	**(111)**	2,090
Total current tax expense	**17,289**	34,744
Deferred tax expense		
Origination and reversal of temporary difference	**(3,287)**	(10,516)
Adjustment in respect of prior years	**(317)**	–
Reduction in tax rate	**–**	(1,148)
Total deferred tax expense	**(3,604)**	(11,664)
Total tax expense before discontinued operations	**13,685**	23,080
Tax expense from discontinued operations	**–**	9,042
Total Tax Expense	**$ 13,685**	$ 32,122

TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

	2013			2012		
	Before Tax	**Expense (Benefit)**	**Net of Tax**	**Before Tax**	**Expense (Benefit)**	**Net of Tax**
Net value loss on cash flow hedge	**$ –**	**$ –**	**$ –**	$ (455)	$ (133)	$ (322)
	$ –	**$ –**	**$ –**	$ (455)	$ (133)	$ (322)

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Investment properties	**$ 61,934**	$ 3,366	**$ –**	$ –	**$ 61,934**	$ 3,366
Inventory	**2,667**	1,199	**–**	–	**2,667**	1,199
Property, plant and equipment	**4,107**	(845)	**(377)**	–	**3,730**	(845)
Investment in Foundation	**–**	–	**(28)**	–	**(28)**	–
Government funding and appropriations	**936**	–	**–**	–	**936**	–
Rent receivable	**–**	–	**(559)**	–	**(559)**	–
Lease incentives	**–**	–	**(262)**	–	**(262)**	–
Non-capital losses	**2,254**	–	**–**	–	**2,254**	–
Notes payable	**488**	291	**–**	–	**488**	291
Accounts payable and accrued liabilities	**1,028**	–	**–**	(592)	**1,028**	(592)
Asset retirement obligations	**408**	–	**–**	–	**408**	–
Mortgage bond payable	**–**	–	**(4,491)**	(4,362)	**(4,491)**	(4,362)
Tax reserves	**–**	–	**(988)**	(847)	**(988)**	(847)
Other	**301**	196	**–**	–	**301**	196
	$ 74,123	$ 4,207	**$ (6,705)**	$ (5,802)	**$ 67,418**	$ (1,595)

	Balance March 31, 2012	Deferred Tax Asset Acquired in the Year	Recognized in Profit or Loss	Balance March 31, 2013
Investment properties	$ 3,366	$ 58,410	$ 158	**$ 61,934**
Inventory	1,199	–	1,468	**2,667**
Property, plant and equipment	(845)	4,218	357	**3,730**
Investment in Foundation	–	–	(28)	**(28)**
Government funding and appropriations	–	2,345	(1,409)	**936**
Rent receivable	–	–	(559)	**(559)**
Lease incentives	–	–	1,175	**1,175**
Non-capital losses	–	(285)	1,102	**817**
Notes payable	291	–	197	**488**
Accounts payable and accrued liabilities	(592)	385	1,235	**1,028**
Asset retirement obligations	–	337	71	**408**
Mortgage bond payable	(4,362)	–	(129)	**(4,491)**
Tax reserves	(847)	–	(142)	**(989)**
Other	196	–	105	**301**
Total tax assets (liabilities)	$ (1,595)	$ 65,410	$ 3,603	**$ 67,418**

24 CONSOLIDATED STATEMENT OF CASH FLOWS – SUPPLEMENTAL INFORMATION

Property transferred at amortized cost between Investment properties and Property, plant and equipment of $3.4 million (March 31, 2012 – $nil) has been excluded from the investing activities in the Consolidated Statement of Cash Flows.

Non-cash increase in properties (inventories) and notes payable of $3.0 million (March 31, 2012 – $1.7 million) for capitalization of interest have been excluded from the financing and investing activities in the Consolidated Statement of Cash Flows.

During the year ended March 31, 2013, interest received totalled $1.6 million (March 31, 2012 – $1.3 million), interest paid amounted to $1.0 million (March 31, 2012 – $2.7 million), income taxes received totalled $4.1 million (March 31, 2012 – $nil) and income taxes paid totalled $15.0 million (March 31, 2012 – $42.5 million).

During the year ended March 31, 2013, the corporation obtained a credit facility (see note 15) which was used to guarantee letters of credit of $20.8 million previously collateralized with cash in short-term investments.

As a result of the business combination under common control, assets and liabilities were acquired through the Transaction which did not impact cash and cash equivalents in the consolidated financial statements (see note 4).

25 RELATED PARTY TRANSACTIONS AND BALANCES

The corporation is wholly owned by the Government of Canada and is under common control with other governmental agencies and departments, and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

During the year ended March 31, 2013, the corporation paid dividends of $20 million (March 31, 2012 – $20.8 million) to its shareholder, the Government of Canada.

The following disclosures represent the significant transactions with related parties:

i) Notes payable to the government are non-interest bearing (see note 16) and are repayable on the earlier of their due dates or the dates on which net proceeds become available from the sale by the corporation of the properties in respect of which the notes were issued.

ii) The corporation's operating lease obligations include $2.5 million with the Montréal Port Authority, an entity under control of the Government of Canada.

iii) The corporation received various rental and other revenues from federal agencies and departments of $4.1 million (March 31, 2012 – $9 million, which includes a cash sale of real estate to the Royal Canadian Mounted Police for $2.1 million). The $4.1 million mainly includes rents from leases with Departments of Defence, Public Works and Government Services. In addition, the corporation incurred expenses of $2.4 million for various services received from Public Works and Government Services.

iv) The transactions described above resulted in a net receivable from federal agencies and departments, excluding the appropriations payable of $3.5 million (March 31, 2012 – $nil), of $1.5 million (March 31, 2012 – $0.9 million).

v) Key management personnel includes the corporation's senior management team and the board of directors. For the year ended March 31, 2013, short-term employee benefits total $2.2 million (March 31, 2012 – $3.1 million) and termination benefits total $0.2 million (March 31, 2012 – $2.0 million). There were no amounts paid to key management personnel relating to other long-term benefits and post-employment benefits (March 31, 2012 – $nil).

26 FINANCIAL INSTRUMENTS

All financial instruments measured at fair value must be classified in fair value hierarchy levels, which are as follows:

Level 1 (L1) – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 (L2) – Financial instruments are considered Level 2 when valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 (L3) – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Cash and cash equivalents, short-term investments, trade and other receivables, trade and other payables and prepaid rent, deposits and others approximate their carrying amounts due to their short-term maturities.

The corporation used an interest rate swap derivative to manage interest rate risk on a portion of its variable rate debt. This derivative was designated as a cash flow hedge with a notional amount of $50 million and a fixed rate of 2.47% maturing on April 1, 2013. On September 14, 2011, the corporation sold the MTCC Complex and retired the term loans of $94 million associated with the Complex. The cash flow hedge portion of the term loan of $50 million was also retired. At March 31, 2013, the amount of hedge ineffectiveness recorded in interest expense in connection with the corporation's interest rate hedging activities was insignificant.

The corporation has valued its existing financial instruments by discounting the cash flows at current yields on government bonds plus a discount factor for the corporation's credit risk. There has not been any change in valuation technique for financial instruments during the year.

The carrying values and fair values of the corporation's financial instruments are summarized in the following table:

March 31			2013		2012	
Classification	Subsequent Measurement	Level	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial Assets						
Long-term receivable	Amortized cost	L2	**$ 13,890**	**$ 12,955**	$ 16,570	$ 15,406
Financial Liabilities						
Mortgage bond payable	Amortized cost	L2	**6,067**	**5,875**	11,905	11,419
Notes payable	Amortized cost	L2	**58,653**	**74,645**	47,562	54,513
Credit facilities	Amortized cost	L2	**41,500**	**41,500**	–	–

27 FINANCIAL RISK MANAGEMENT

a) Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they become due.

The corporation manages its liquidity risk by forecasting and managing cash flows from operations and anticipating capital expenditures and financing activities. The corporation also manages its cash flow by maintaining sufficient cash balances to meet current obligations and investing surplus cash in low risk bank investments.

In September 2011, the corporation sold its interest in the office tower on 227 Front Street West and the hotel facility at 225 Front Street West and thus discharged the $95 million term financing loan.

The corporation has notes payable which are owed to the shareholder and, under the related agreement, the notes are not due until positive cash flows are achieved from the properties by which they are secured (see note 16).

The corporation has borrowing authority from the Minister of Finance of $140 million (March 31, 2012 – $nil) until September 2013. The corporation's borrowing authority is renewed annually with the approval of the Corporate Plan. The corporation has $140 million of credit facilities available, of which $73.5 million is unused (March 31, 2012 – $nil). The credit facilities mature in September 2013.

The corporation has a mortgage bond payable of $5.9 million at March 31, 2013 (March 31, 2012 – $11.4 million) with semi-annual payments on January 1 and July 1 of $3.1 million. The last payment is on January 1, 2014 (see note 14).

Accounts payable are primarily due within 90 days. The repayment terms for mortgage bond payable, credit facilities, and notes payable are disclosed in notes 14, 15, and 16, respectively.

b) Market Risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The corporation has little exposure to currency risk. The corporation carries on activities for which minor expenditures are in U.S. dollars. This could have an effect on attractions, food and beverage and other hospitality revenues if there is a decrease in tourism because of currency fluctuations.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The corporation is exposed to interest rate risk on its credit facilities and cash and cash equivalents which are based on floating rates of interest. The credit facilities are used to finance the development of lands and guarantee the corporation's letters of credit, and because most interest is capitalized, a change in interest rates would not have had a significant impact on net earnings or comprehensive income in the current period. Cash and cash equivalents have limited exposure to interest rate risk due to their short-term nature. The impact of a change in interest rate of +/– 0.5% would not be significant for the Consolidated Statement of Comprehensive Income.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The corporation does not account for its fixed rate debt instruments as held for trading; therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments.

The corporation, as of the reporting date, has no financial instruments that could impact its net income or equity.

c) Credit Risk

The corporation's credit risk arises from the possibility that tenants or purchasers with vendor take-back mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. For Vendor Take Back Mortgages (VTBs), the agreement is secured by a collateral mortgage on the property.

The corporation attempts to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and doing credit assessments in respect of new leases or credit transactions. Also, this risk is further mitigated by signing long-term leases with varying lease expirations, and obtaining security deposits from tenants.

The corporation's receivables are comprised primarily of current balances owing. The corporation performs monthly reviews of its receivables and establishes an appropriate provision for doubtful accounts.

On March 31, 2013, the corporation has receivables of $18.6 million (March 31, 2012 – $7.1 million).

The corporation's cash, including bank deposits and term deposits as well as security deposits, is held with a major financial institution. The corporation does not expect any related counterparties to fail to meet their obligations.

On March 31, 2013, the corporation's cash and cash equivalent balances are $136.9 million (March 31, 2012 – $57.4 million).

The corporation's maximum exposure to credit risk is limited to the carrying value of trade receivables and other long-term receivables and cash and cash equivalents.

On March 31, 2013, the corporation has long-term receivables of $13.0 million (March 31, 2012 – $13.4 million) arising from sales of properties. The entire amount of the long-term receivables (March 31, 2012 – $13.3 million) is covered by collateral mortgages.

The corporation has an assignment of rents with a balance of $0.3 million at March 31, 2013 (March 31, 2012 – $1.3 million). Default in payment of subject assignment of rents is covered by a guarantee from the lessee.

28 CAPITAL MANAGEMENT

The corporation's objective when managing capital is to maintain adequate levels of funding to support its activities.

March 31	2013	2012
Shareholder's equity	**$ 456,315**	$ 391,653
Mortgage bond payable	**5,875**	11,419
Credit facilities	**41,500**	–
Notes payable	**74,645**	54,513
Cash and cash equivalents	**136,882**	57,428
Total	**$ 715,217**	$ 515,013

The corporation is in full compliance with the financial covenants of the mortgage bond payable and the credit facilities.

The corporation has notes payable which are owed to the shareholder and, under the related agreement, the notes are not due until positive cash flows are achieved from the properties, except for the $19.0 million note, which is due in 2050.

All short-term and long-term borrowings are approved by the Minister of Finance with respect to the amount, interest rate and term, and are included in the Corporate Plan which must receive Treasury Board approval.

In order to meet its objective, the corporation invests all capital that is surplus to its immediate operational needs in highly liquid financial instruments, with original maturities of up to one year, such as bank deposits, deposit certificates and money market funds. All are held with major financial institutions.

On March 31, 2013, cash and cash equivalents total $136.9 million. The cash equivalents are invested in term deposits with a Canadian chartered bank with maturities up to 29 days, and deposit certificates, which are redeemable at any time, with maturities up to September 4, 2013 (see note 11).

The corporation's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities and provided by financing activities, as well as proceeds from asset sales. Rental revenue, recoveries from tenants, lot sales, attractions and hospitality revenue, interest and other income, available cash balances, draws on corporate credit facilities and refinancing of maturing indebtedness are the corporation's principal sources of capital used to pay operating expenses, dividends, debt service and recurring capital and leasing costs in its commercial property, attractions and hospitality and residential development businesses. The corporation plans to meet its short-term liquidity needs with revenue along with proceeds from financing activities.

The principal liquidity needs for periods beyond the next twelve months are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. The corporation's strategy is to meet these needs with one or more of the following:

- cash flows from operations;
- proceeds from sales of assets;
- credit facilities and refinancing opportunities.

29 PENSION PLAN

The corporation has a number of defined contribution pension plans covering all of its full-time employees and certain part-time employees in accordance with the plans. Employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost for the year charged to expense for these plans was $1.2 million for the year ended March 31, 2013 (March 31, 2012 – $0.9 million).

30 SUBSEQUENT EVENTS

On April 25, 2013, the corporation declared a dividend of $80 million payable to its shareholder, the Government of Canada.

DND has obtained approval from the Treasury Board to complete the sale of the parcels of land to the Corporation. The legal transfer of the land is in progress. The approximate purchase price of the land is $54,000. The purchase is financed through promissory notes with fixed repayment terms of $30,000 over the next four years, and the remainder due on the dates on which the net proceeds become available from the sale of the properties in respect of which the notes were issued.

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